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STATISTICAL BULLETIN

Highlights

- CONSUMER DEMAND GROWTH MAY BEGIN TO FALTER: HOME AND CAR SALES REMAIN WEAK, AND CONSUMER OPTIMISM IS NOW WANING.
- LABOR REPORTS SHOW SOME MODERATING TRENDS.
- INDUSTRIAL OUTPUT GROWTH REMAINS STRONG, BACKED BY VIGOROUS INVESTMENT.
- BUT EXPORT GROWTH IS NO LONGER EXPLOSIVE.
- ON THE INFLATION WATCH: FOOD PRICES STILL JUMPING, BUT NOT INDUSTRIAL COMMODITIES, AND ENERGY PRICES HAVE DECLINED.
- OUTLOOK • MODERATE GNP GROWTH IN THE FOURTH QUARTER OF 1988 AND THE FIRST QUARTER OF 1989, AFTER A TORRID THIRD-QUARTER PERFORMANCE.

Volume 21, No. 10, October, 1988.

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: Very strong business investment and export growth, together with a sustained moderate rise in consumer demand, resulted in a strong spurt in U.S. economic activity in the third quarter of 1988. The median of the **Economic Forecasts** is for annualized growth in real GNP of 3.9%, seasonally adjusted, in the third quarter. The pace of activity will probably slacken to closer to 3% in the fourth quarter.

There are two major reasons why GNP growth is moderating now. First, although exports are still rising, the explosive growth in exports—which was fueled by a severe decline in the dollar—seems to have run its course. The dollar staged a brief rally this summer, but more recently, it again came under pressure. In any event, at least for now, export growth is no longer feeding off the price effect induced by the sharply lower dollar.

The second factor is a slower rise in consumer demand. Spending on durable goods, especially cars and homes, is not very strong now. Higher interest rates, weaker gains in purchasing power, and some drop off in consumer optimism are factors in the slower rise in spending. Meanwhile, the Federal Reserve is pumping money into the economy at a slower rate. In all, less export growth and a slower rise in consumer demand, but continued strong business investment, will produce a good fourth quarter. It will not reach the heights attained in the third quarter, but it will help to deflate some inflationary fears.

DOMESTIC MARKET MONITOR

Labor market activity appears to be rising a little more slowly in the second half of 1988 than it did in the first half. And indications are that the pace will continue to gradually ease off. Job growth in services remains quite strong but there was no new hiring in goods production in the last two months. More important, perhaps, the rise in total hours worked has slowed. Certainly, these are not signs of labor market overheating. Thus, although the average hourly pay rate was ten cents higher in September than in May, that development is not cause for concern.

The indications are that the labor market will continue to soften. The Conference Board's **Help-wanted Index,** a measure of labor demand, was no higher in August than one year earlier. Early returns to the September survey show a dip in ad volume that month. Finally, the consensus of the **Economic Forecasts** is that the current 5.4% unemployment rate is likely to prevail through the first quarter of 1989, after which it could inch a little higher.

INCOME: No change in hourly pay rates in August, and little change in the number of hours worked, slowed the rise in wage income. Wages in commodity-producing industry were 1.7% higher in August than three months earlier. Wages in the "other industry" category were 2.3% higher. If wage gains continue to moderate over the next few months, the rise in consumer spending is also likely to slow.

Nonwage income growth has already faltered. Overall, nonwage income was only 0.5% higher in August than three months earlier. And much of that increase reflects a pick up in interest and rental income.

Consumer reluctance to step up borrowing may also limit gains in spending. The net change in consumer loans has been subdued for some time. And it slowed a bit more in July and August. Higher interest rates are likely to further dampen borrowing.

Evidence mounts that the prolonged era of high consumer confidence is ending. The Conference Board's **Consumer Confidence Index** stood at 109 (1985=100) in September, compared to this year's high of 120.2 in May. The **Expectations** Component declined from 114 to 99 over the same period. These numbers suggest that consumers anticipate some loss of momentum in job openings and pay increases over the next six months—an expectation shared with the **Economic Forecasts.**

SPENDING: Consumer buying has so far maintained its momentum. Total retail sales, except autos, were 1% higher in August than three months earlier. But if wage income growth, borrowing, and consumer sentiment continue to weaken, consumer demand will also slow.

One indication of softer consumer demand is the level of car buying. New domestic **Automobile Sales** fell to a million annual rate, seasonally adjusted, in September, weaker than in prior months. Sales of foreign models, in contrast, have been stable. With auto loan rates on the rise, car buying is likely to remain in the doldrums, at best.

CONSTRUCTION: While car sales have slumped, home sales have stabilized, albeit at a relatively low level. Indeed, new single-family home sales were essentially flat over the last three months. Yet new home prices were 1.8% higher in August than three months ago, and mortgage rates are going up. The slow pace of new home building suggests that a recovery is nowhere on the horizon.

Nonresidential construction was marginally lower in August than three months earlier. And the weak increase in hours worked in construction in September suggests that the pace of building was sluggish that month.

PRODUCTION: Rising business investment and exports, and a modest increase in consumer buying of non-

Ken Goldstein, Editor

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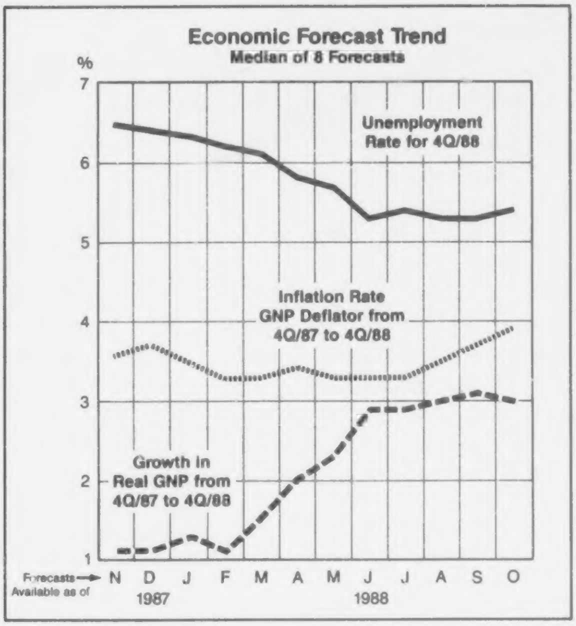


durables, are resulting in strong industrial output gains. Industrial production was 1.5% higher in August than three months earlier, and capacity utilization rates continue to inch up. But total hours worked in manufacturing was no higher in September than in July, which suggests that the pace of industrial output slowed that month.

Still, the level of industrial production remains quite strong. Total new orders for durable goods, except defense related, were 7.3% higher in August than three months earlier. Moreover, the ratio of shipments to unfilled orders is rising. That indicates some pressure to maintain production schedules in order to keep filling new orders.

INVENTORY: Another sign of the degree of strength in industrial conditions is that despite the vigorous pace of production, inventory ratios are falling. Total inventory, except cars at the retail level, was 1.5% higher in July than three months earlier. But industrial sales were 2.2% higher. Thus, the Inventory-to-Sales ratio fell. Given the continued gains in investment and export, and some rise in consumer buying of nondurables, producers were probably restocking inventory in August.

Booming business investment is likely to continue to lend strength to industrial conditions. The Conference Board's survey of **Capital Appropriations and Expenditures** by the nation's 1,000 largest manufacturers indicated a 7% rise in plant and equipment spending in the second quarter of 1988. Furthermore, the survey respondents said that their capital spending is likely to be more than 20% higher in 1988 versus one year ago.

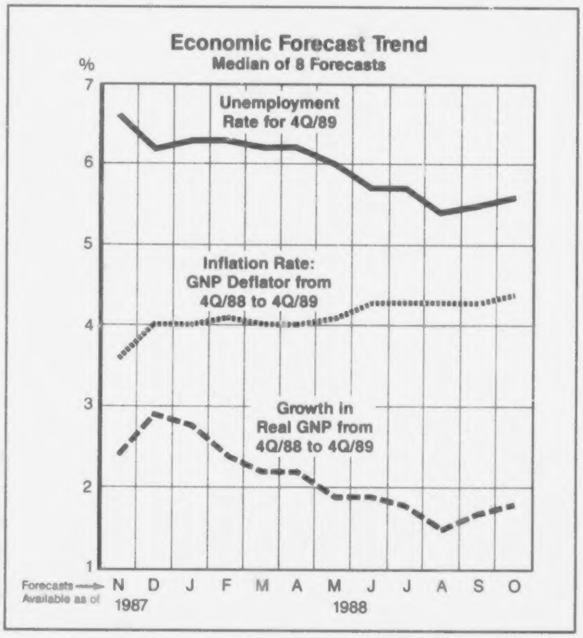
INFLATION: Not only has inflation remained muted, some of the inflation talk has quieted. Commodity prices dipped in September, while oil prices fell once again. At the wholesale level, raw material prices, except food and energy, fell 0.6% in September. Prices for farm crops, but not for meat, rose in September. The consensus of the **Economic Forecasts** continues to call for no more than a modest uptick in inflation. A 5% annualized rise in the CPI is forecast for the fourth quarter of 1988, rising to not more than 5½% by the fourth quarter of 1989. That forecast is gaining acceptance, as fears of the economy overheating subside.

INTERNATIONAL MONITOR

One of the most positive economic developments of 1988 is that the sustained rise in economic demand is not generating a flood of imports. Total imports of manufactured goods was 4.2% higher in August than three months earlier. Not surprisingly, import growth has been strongest in the area of business equipment, the strongest element of the domestic economy. The sharp leap in imported cars and car parts in August was undoubtedly a statistical quirk. Imports of consumer goods were quite subdued this summer, although the August data showed a relatively strong rise. Nevertheless, indications are that overall consumer demand may soon begin to rise more slowly. That should keep the lid on rising imports, and, hence, aid in the continued narrowing of the trade deficit.

The export news is not as bad as first appears. Total exports of manufactured goods were only 2.1% lower in August than three months earlier. Exports of unfinished goods fell, but both capital and consumer goods shipments continued to rise. Nevertheless, the data show declines in exports to Canada and Europe, economies growing fast enough to absorb more, not less, exports from the U.S. Although export growth has moderated, continuing declines are not expected in the coming months.

Ken Goldstein
October 12, 1988

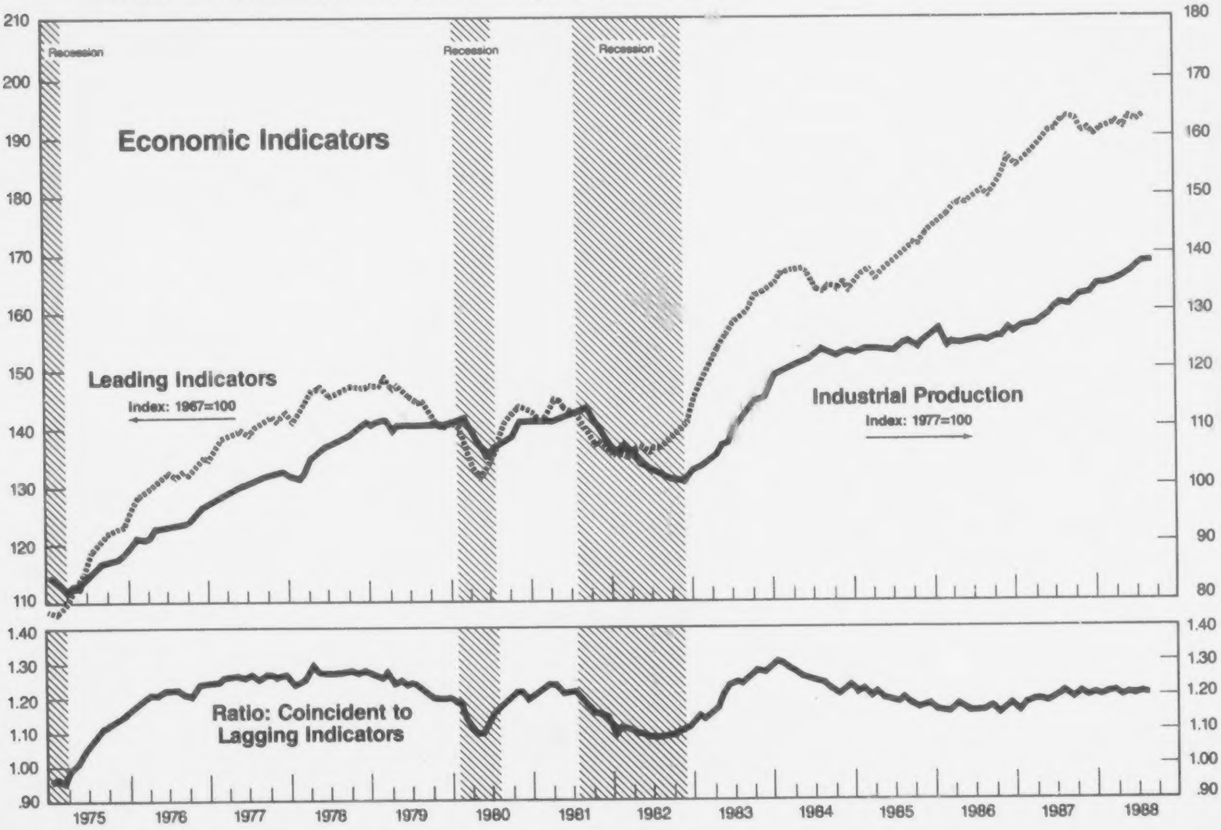


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Aug.	X			1.3%	0.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Aug.	X			16.0%	23.0%
New orders, nondefense capital goods (deflated)	Aug.	X			16.7%	26.5%
*New business formation	Aug.			X	– 2.3%	– 0.2%
*Housing permits	Aug.		X		1.9%	– 3.3%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Aug.	X			1.6%	6.5%
*Change in inventory, on hand & order (deflated)	July			X	–15.7%	–31.0%
Purchasing manager's buying policy	Sep.	X			5.0%	8.0%
*Vendor performance, reported slower deliveries	Aug.		X		– 2.0%	4.0%
Industrial raw materials prices	Sep.		X		– 0.9%	4.9%
*Change in sensitive material prices	Aug.	X			0.2%	– 1.0%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Aug.		X		– 0.2%	1.5%
Change in business loans	Aug.			X	–15.7%	29.4%
*Change in credit outstanding	July		X		– 3.2%	7.7%
Change in consumer installment debt	July			X	–15.3%	–36.2%
Profitability						
Total corporate profits, after tax (deflated)	2nd.Q	X			12.3%	17.3%
*Common stock prices	Aug.		X		3.0%	–19.9%
Marginal Employment Adjustments						
*Average workweek, mfg.	Sep.		X		0.1hr	0.6hr
*Initial unemployment claims (inverted)	Aug.	X			2.9%	– 0.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1987 Aug.	1988 May	Jun.	Jul.	Aug.(e)
Principal Diffusion Index	63.0r	56.6r	60.7r	59.1r	56.7
Auxiliary Diffusion Index	43.4r	41.5r	63.1r	44.9r	42.2
Industrial Group	63.6	56.5	58.1	57.3r	57.5
Nonindustrial Group	62.4r	56.8r	63.3r	60.9r	55.9
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	75.6	62.0	62.0	67.5	72.6
Labor	56.9	54.5	58.2	53.6r	51.2
Miscellaneous	62.2	53.2	51.9	51.3	50.6
Nonindustrial Subgroups					
Prices	86.5	53.2	59.6	50.6	42.9
Consumer	70.1	62.4	67.7	62.8r	63.5
Building	42.9	49.4	57.1	64.1	55.8
Miscellaneous	51.7r	58.5r	65.4r	63.7r	57.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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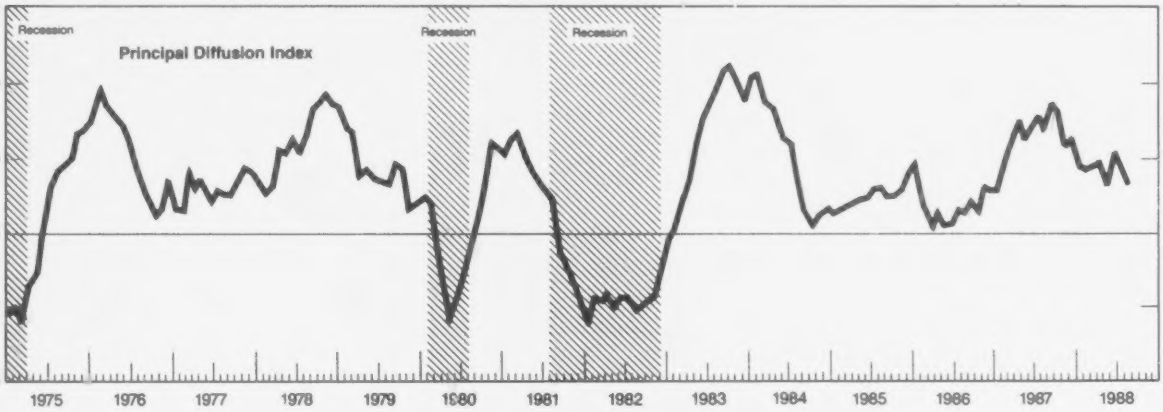
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985 *Nov.*	1986 *Feb.*	*May*	*Aug.*	*Nov.*	1987 *Feb.*	*May*	*Aug.*	*Nov.*	1988 *Feb.*	*May*	*Aug.*
	Score (scale 0-100)											
Measure of Business Confidence	55	61	61	50	51	55	55	59	47	51	58	56
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	53	63	61	44	50	56	55	62	50	49	64	65
2. Expectations for Economy, Six Months Ahead	56	62	62	52	51	54	53	56	43	50	54	51
3. Expectations for Own Industry, Six Months Ahead	56	59	60	54	53	56	56	58	48	54	55	53

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Sept., 1988*		*Sept., 1988*		*Sept., 1988*		*Sept., 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**II**	**$4823.8**	**8.7%**	**$4823.8**	**8.7%**	**$4823.8**	**8.7%**	**$4823.8**	**8.7%**
Forecast	1988	III	4907.1	7.1	4912.3	7.5	4913.5	7.6	4904.1	6.8
		IV	4999.6	7.8	4997.7	7.1	4994.1	6.7	4971.9	5.6
	1989	I	5122.2	10.2	5103.8	8.8	5067.5	6.0	5082.6	9.2
		II	5216.5	7.6	5182.1	6.3	5140.1	5.9	5169.0	7.0
		III	5274.3	4.5	5230.3	3.6	5209.4	5.5	5256.6	7.0
		IV	5312.9	3.0	5259.0	2.2	5280.3	5.6	5337.0	6.3
	1990	I	5348.2	2.7			5366.4	6.7	5409.7	5.6
		II	5409.9	4.7			5458.6	7.1	5460.8	3.8
		III	5480.8	5.3			5546.1	6.6		
	1988	Annual	4863.8	7.4	4864.6	7.5	4864.0	7.5	4856.1	7.3
	1989	Annual	5231.5	7.6	5193.8	6.8	5174.3	6.4	5211.3	7.3
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**II**	**$3985.2**	**3.0%**	**$3985.2**	**3.0**	**$3985.2**	**3.0%**	**$3985.2**	**3.0%**
Forecast	1988	III	4024.4	4.0	4016.8	3.2	4011.0	2.6	4009.9	2.5
		IV	4057.3	3.3	4043.0	2.6	4034.0	2.3	4025.8	1.6
	1989	I	4112.5	5.6	4078.1	3.5	4054.0	2.0	4079.1	5.4
		II	4137.1	2.4	4091.4	1.3	4073.0	1.9	4102.4	2.3
		III	4131.1	−0.6	4086.9	−0.4	4089.0	1.6	4122.8	2.0
		IV	4113.0	−1.7	4077.7	−0.9	4106.0	1.7	4137.2	1.4
	1990	I	4088.0	−2.4			4128.0	2.2	4142.2	0.5
		II	4091.4	0.3			4151.0	2.2	4137.0	−0.5
		III	4100.1	0.9			4170.0	1.8		
	1988	Annual	4005.8	4.1	4000.3	4.0	3996.6	3.9	3994.3	3.8
	1989	Annual	4123.4	2.9	4083.5	2.1	4080.5	2.1	4110.4	2.9
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**II**	**121.0**	**5.5%**	**121.0**	**5.5%**	**121.0**	**5.5%**	**121.0**	**5.5%**
Forecast		III	121.9	3.0	122.3	4.2	122.5	4.9	122.3	4.2
		IV	123.2	4.3	123.6	4.4	123.8	4.3	123.5	4.0
	1989	I	124.6	4.4	125.2	5.1	125.0	3.9	124.6	3.6
		II	126.1	5.0	126.7	4.9	126.2	3.9	126.0	4.6
		III	127.7	5.1	128.0	4.2	127.4	3.9	127.5	4.9
		IV	129.2	4.8	129.0	3.1	128.6	3.8	129.0	4.8
	1990	I	130.8	5.2			130.0	4.4	130.6	5.1
		II	132.2	4.3			131.5	4.7	132.0	4.4
		III	133.7	4.5			133.0	4.6		
	1988	Annual	121.4	3.2	121.6	3.3	121.7	3.4	121.6	3.3
	1989	Annual	126.9	4.5	127.2	4.6	126.8	4.2	126.8	4.3
Unemployment Rate										
Actual	**1988**	**II**		**5.5%**		**5.5%**		**5.5%**		**5.6%**
Forecast	1988	III		5.3		5.4		5.5		5.5
		IV		5.2		5.2		5.6		5.4
	1989	I		5.0		5.2		5.6		5.2
		II		4.9		5.2		5.7		5.2
		III		4.9		5.4		5.7		5.1
		IV		5.1		5.8		5.7		5.2
	1990	I		5.5				5.7		5.3
		II		5.8				5.6		5.4
		III		6.1				5.5		
	1988	Annual		5.4		5.5		5.6		5.6
	1989	Annual		5.0		5.4		5.7		5.2

Notes: Percentage changes represent compound annual rates of change from prec[illegible]g period. Quarterly data are seasonally adjusted.

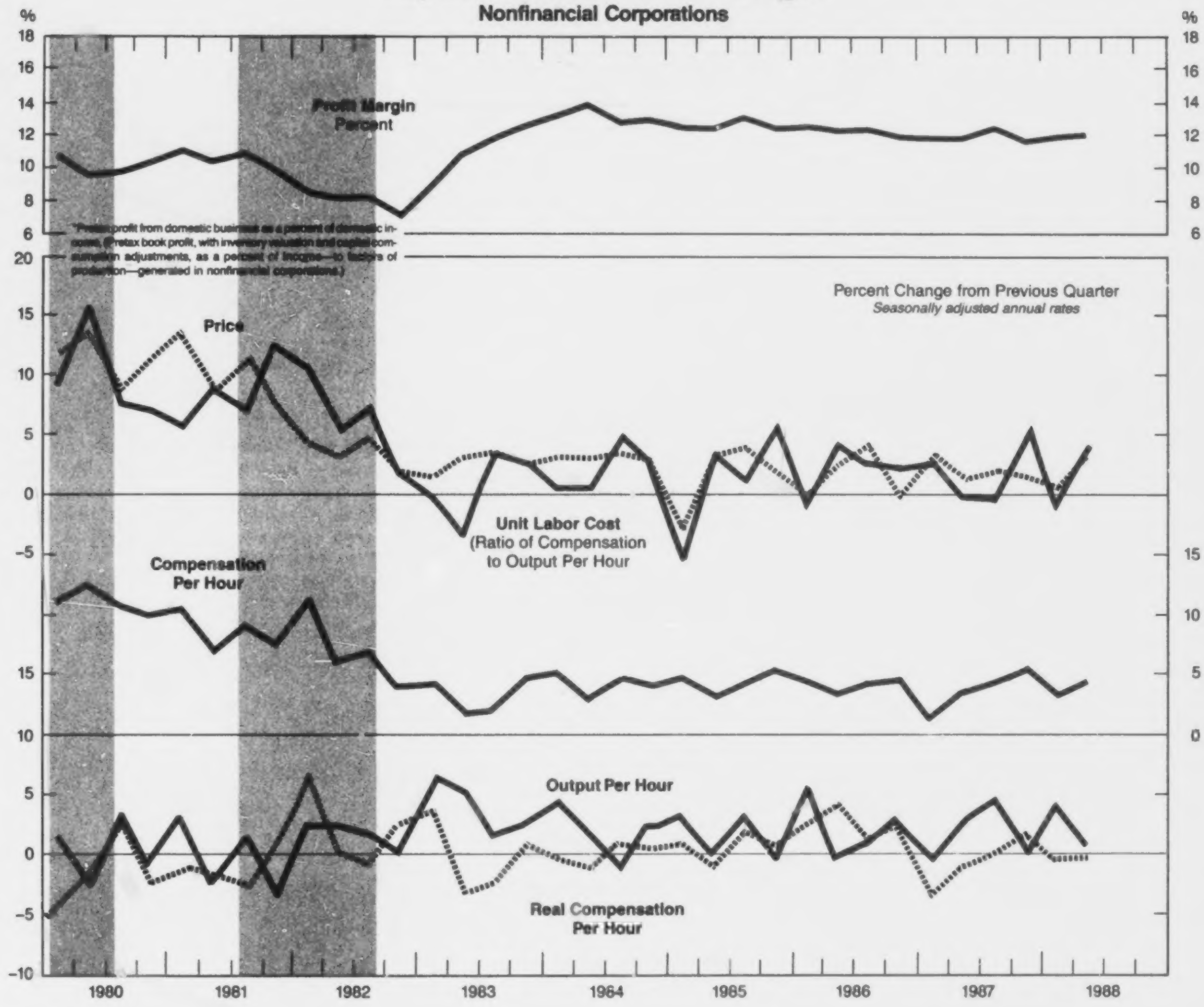
[1] Based on revised (second revision) second quarter data.

ECONOMIC FORECASTS (continued)

The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Sept., 1988		*Sept., 1988*		*Sept., 1988*		*Sept., 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4823.8	**8.7%**	**$4823.8**	**8.7%**	**$4823.8**	**8.7%**	**$4823.8**	**8.7%**	**II**	**1988**	**Actual**
4902.0	6.6	4916.8	7.9	4900.2	6.5	4914.7	7.6	III	1988	Forecast
4992.0	7.5	5000.3	7.0	4970.6	5.9	4980.5	5.5	IV		
5076.0	6.9	5116.5	9.6	5073.6	8.5	5089.1	9.0	I	1989	
5143.0	5.4	5194.4	6.2	5140.1	5.3	5164.5	6.1	II		
5180.0	2.9	5269.3	5.9	5203.7	5.0	5233.5	5.5	III		
5219.0	3.0	5344.2	5.8	5272.3	5.4	5309.6	5.9	IV		
		5442.9	7.6	5349.4	8.0	5395.3	6.6	I	1990	
		5529[illegible]	6.5	5427.6	6.0	5497.4	7.6	II		
		561[illegible]	6.7	5519.4	6.9	5596.8	7.4	III		
4860.6	7.4	4866.4	7.5	4854.8	7.2	4860.9	7.4	Annual	1988	
5154.5	6.0	5231.1	7.5	5172.4	6.5	5199.2	7.0	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3985.2	**3.0%**	**$3985.2**	**3.0%**	**$3985.2**	**3.0%**	**$3985.2**	**3.0%**	**II**	**1988**	**Actual**
4014.7	3.0	4019.4	3.5	4015.0	3.0	4017.7	3.[illegible]	III	1988	Forecast
4045.4	3.1	4044.0	2.5	4033.2	1.8	4030.6	1.3	IV		
4067.3	2.2	4090.8	4.7	4082.9	5.0	4066.3	3.6	I	1989	
4072.1	0.5	4111.2	2.0	4093.6	1.1	4079.2	1.3	II		
4056.4	−1.5	4132.7	2.1	4101.2	0.7	4089.3	1.0	III		
4042.6	−1.4	4154.9	2.2	4114.9	1.3	4107.8	1.8	IV		
		4182.5	2.7	4127.7	1.3	4122.4	1.4	I	1990	
		4205.9	2.3	4146.0	1.8	4153.0	3.0	II		
		4231.7	2.5	4174.6	2.8	4181.2	2.7	III		
4000.4	4.0	4001.2	4.0	3997.4	3.9	3997.4	3.9	Annual	1988	
4059.6	1.5	4122.4	3.0	4098.2	2.5	4065.7	2.2	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
121.0	**5.5%**	121.0	**5.5%**	121.0	**5.5%**	121.0	**5.5%**	**II**	**1988**	**Actual**
122.1	3.5	122.3	4.3	122.0	3.4	122.3	4.3	III	1988	Forecast
123.4	4.3	123.6	4.4	123.2	4.0	123.6	4.1	IV		
124.8	4.6	125.1	4.7	124.3	3.4	125.2	5.2	I	1989	
126.3	4.9	126.3	4.1	125.6	4.2	126.6	4.7	II		
127.7	4.5	127.5	3.7	126.9	4.3	128.0	4.4	III		
129.1	4.5	128.6	3.6	128.1	4.0	129.3	4.0	IV		
		130.1	4.8	129.6	4.7	130.9	5.1	I	1990	
		131.5	4.1	130.9	4.1	132.4	4.6	II		
		132.8	4.1	132.2	4.0	133.9	4.6	III		
121.5	3.3	121.6	3.4	121.4	3.2	121.6	3.3	Annual	1988	
127.0	4.5	126.9	4.3	126.2	3.9	127.2	4.7	Annual	1989	
								Unemployment Rate		
	5.4%		**5.5%**		**5.5%**		**5.5%**	**II**	**1988**	**Actual**
	5.4		5.5		5.5		5.5	III	1988	Forecast
	5.4		5.4		5.4		5.5	IV		
	5.5		5.3		5.4		5.5	I	1989	
	5.6		5.4		5.4		5.7	II		
	5.9		5.4		5.5		5.8	III		
	6.1		5.4		5.5		6.0	IV		
			5.4		5.7		6.2	I	1990	
			5.4		5.8		6.3	II		
			5.4		5.8		6.3	III		
	5.5		5.5		5.5		5.6	Annual	1988	
	5.8		5.4		5.4		5.8	Annual	1989	

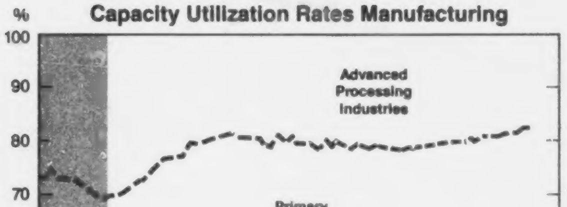
Key Determinants of Profit Margin

Nonfinancial Corporations

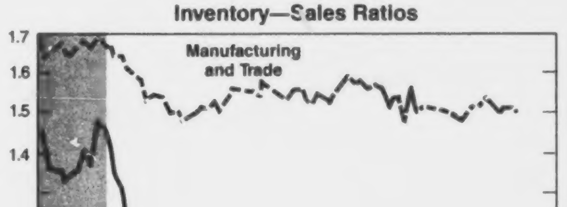


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



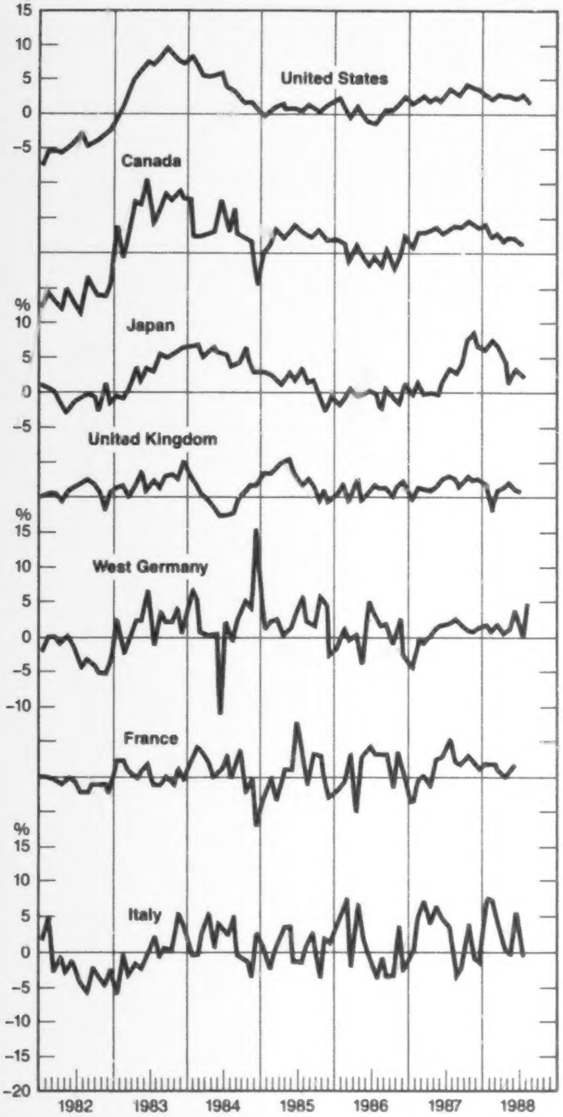
Inventory—Sales Ratios



Selected International Comparisons

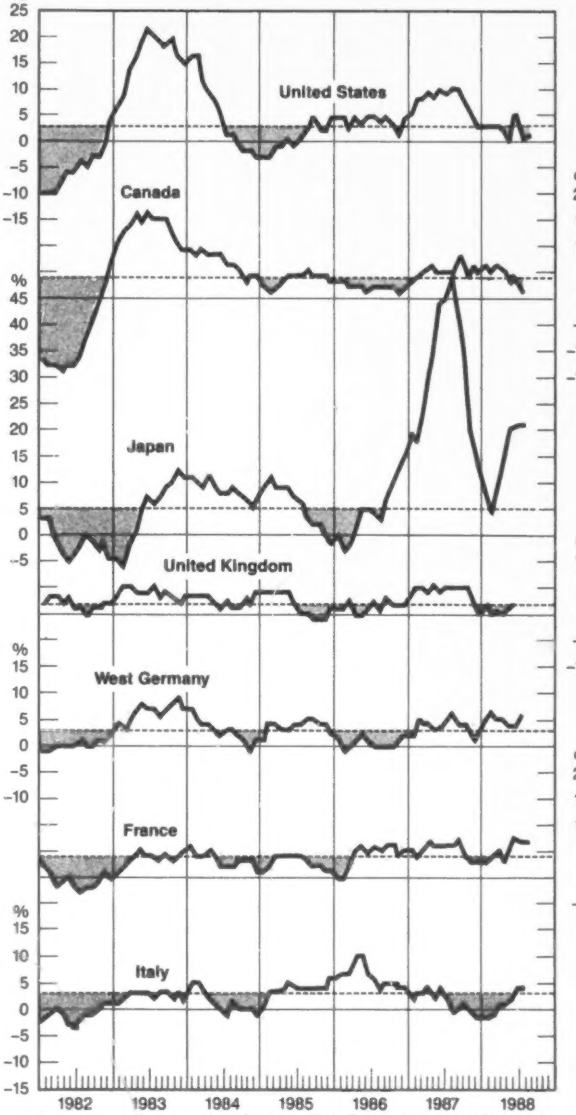
Industrial Production Indexes

Change Over Six Month Span



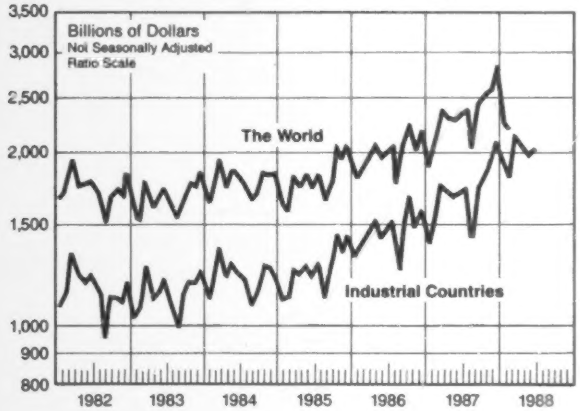
Leading Business Cycle Indexes

Change From Preceding Year

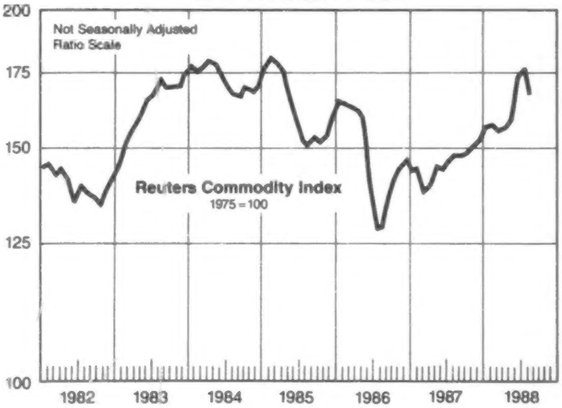


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports



Raw Materials Prices



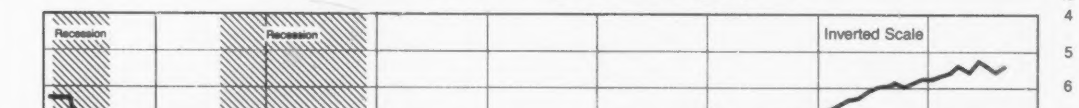
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

	1988			1987
Locality	**Aug.**	**Jul.**	**Jun.**	**Aug.**
National Index	160	159	156	161
New England	145	148	152	178
Boston	143	145	141	182
Hartford	152	152	175	182
Providence	147	154	168	158
Middle Atlantic	89	87	88	94
Albany	235	188	197	288
Allentown	397	375	408	379
New York	59	59	60	67
Philadelphia	73	74	78	82
Pittsburgh	105	106	97	100
Rochester	104	115	107	88
Syracuse	170	158	156	146
East North Central	111	112	110	109
Chicago	117	119	117	118
Cincinnati	173	184	161	167
Cleveland	77	81	76	75
Columbus	189	189	188	199
Dayton	112	93	90	90
Detroit	61	62	58	63
Gary	198	208	224	172
Indianapolis	136	119	127	117
Milwaukee	93	84	99	82
Toledo	146	152	146	138
West North Central	102	105r	100	101
Kansas City	139	138	133	134
Minneapolis	96	98r	93	100
Omaha	158	170	161	152
St. Louis	70	76r	71	69
South Atlantic	222	218	208	230
Atlanta	268	279	271	289
Baltimore	269	251	236	273
Charlotte	215	216	194	213
Jacksonville	243	232	233	248
Miami	N.A.	169	170	164
Richmond	154	155	151	167
Washington, D.C.	N.A.	195	180	210
East South Central	196	189	185	191r
Birmingham	201	197	187	177r
Knoxville	340	332	305	279
Louisville	107	103	102	99
Memphis	150	140	141	157
Nashville	266	253	261	300
West South Central	186	182r	189	171r
Dallas	154	160	171	159r
Houston	281	252r	275	241r
New Orleans	126	140	124	119
Oklahoma City	123	126	125	114
San Antonio	141	149	150	135
Tulsa	150	162	144	137
Mountain	311	319r	299	314
Denver	213	218	197	220
Phoenix	404	399	377	426
Salt Lake City	371	400r	386	340
Pacific	261	253	248	249
Los Angeles	180	170	169	174
Sacramento	497	487	494	456
San Bernadino	311	306	286	295
San Diego	601	621	597	572
San Francisco	261	248	242	255
Seattle	265	262	254	244
Percentage of papers with rising volume	47	67r	24	88
Unemployment rate	5.6	5.4	5.3	6

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

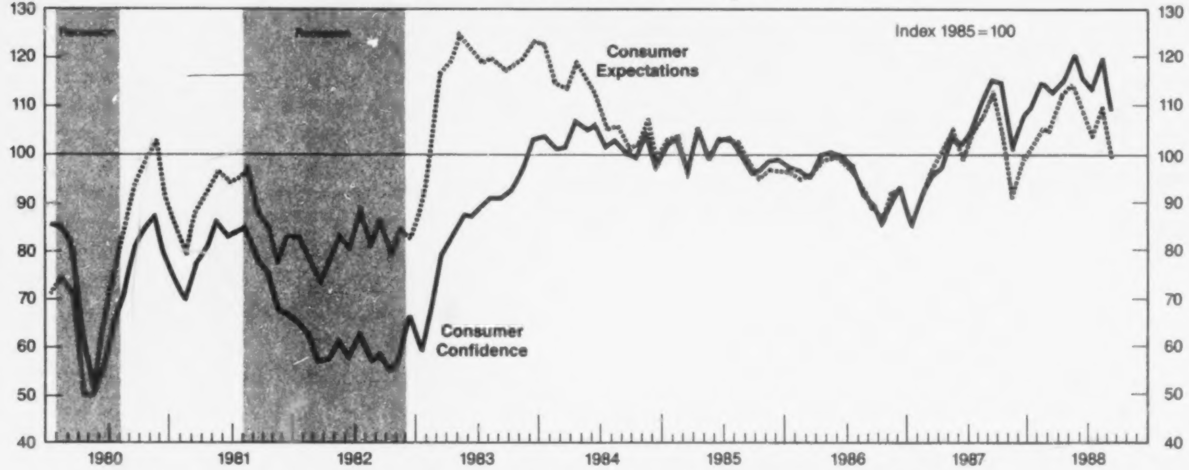
Consumer Confidence Index	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7r	109.0p			
Expectations Index												
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6r	103.7	109.4r	99.3p			

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

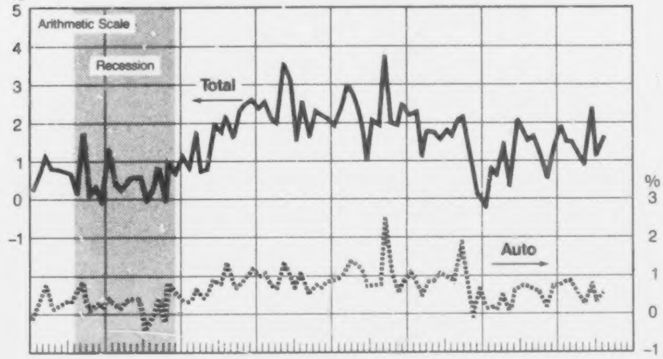
	1986	1987				1988		Percent Change From Previous Year Actual	Percent Change From Previous Year Estimate
	IV-86	I-87	II-87	III-87	IV-87	I-88(r)	II-88(p)	1987	1988
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	20.097	21.441	32.257	29.561	35.909	30.846	39.682	31%	23%
Capital expenditures	23.299	20.801	25.933	27.381	29.820	29.412	31.469	11	26
Change in appropriations backlog*	−10.990	−0.550	5.460	−0.080	3.510	0.650	7.840		
Durable Goods									
New appropriations	10.807	9.746	16.515	17.208	20.245	14.310	18.442	55	20
Capital expenditures	12.915	11.124	14.006	13.970	16.037	15.780	16.368	17	26
Change in appropriations backlog*	−4.140	−2.070	2.310	2.930	3.810	−1.720	2.530		
Nondurable Goods									
New appropriations	11.290	11.695	15.742	12.353	15.664	16.536	21.240	24	25
Capital expenditures	10.384	9.677	11.927	13.411	13.783	13.632	15.101	6	26
Change in appropriations backlog*	−6.853	1.520	3.160	−3.010	−0.300	2.590	5.310		
ELECTRIC & GAS UTILITIES									
New appropriations	5.491	6.482	5.569	5.135	6.094				
Capital expenditures	6.080	7.622	7.032	7.728	6.524				
Change in appropriations backlog*	−1.005	−0.810	−1.590	−2.830	−0.680				

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

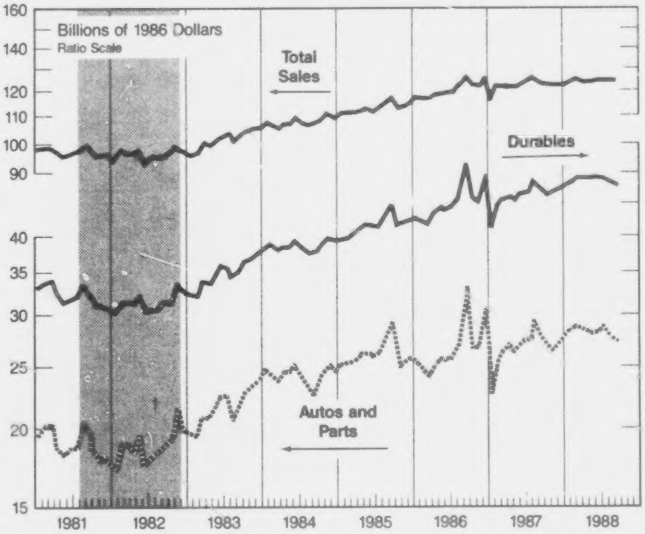
r—revised p—preliminary

* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



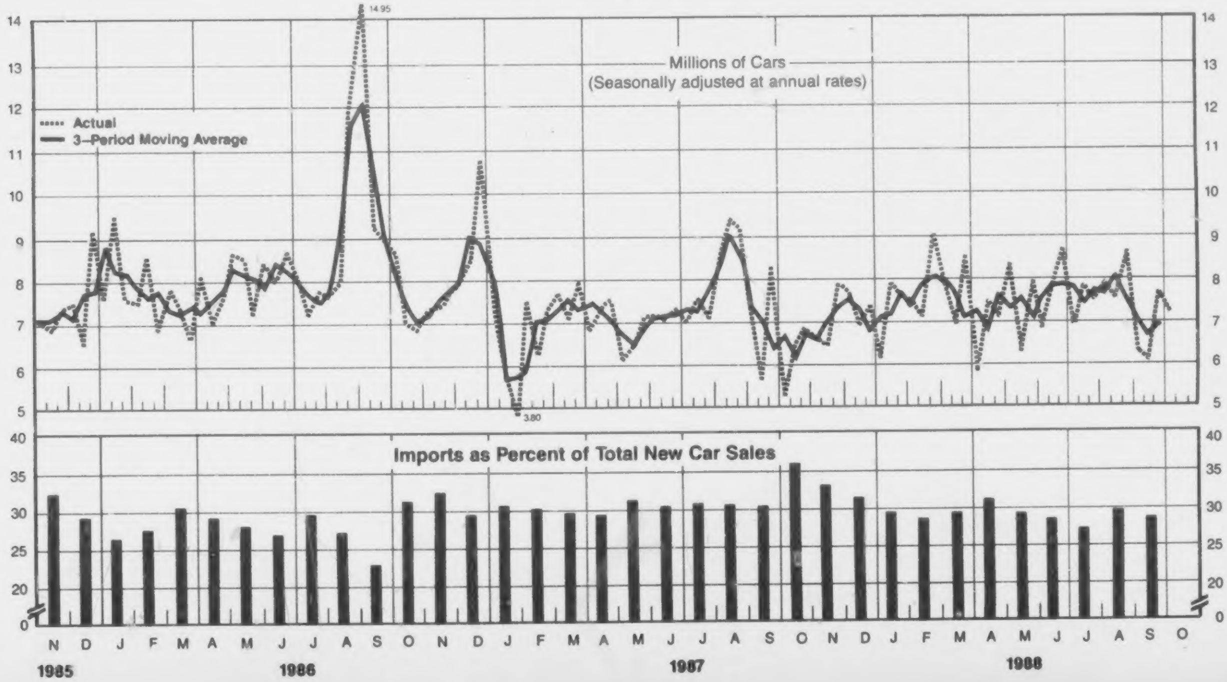
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	6.94
	21-31	8.52	6.69	7.99	8.50
April:	1-10	7.87	8.09	6.87	5.82
	11-20	9.24	7.07	7.35	7.45
	21-30	8.03	7.55	7.57	7.04
May:	1-10	7.91	8.63	6.17	8.37
	11-20	8.76	8.56	6.43	6.31
	21-31	8.09	7.22	7.08	7.99
June:	1-10	8.33	8.40	7.14	6.81
	11-20	7.66	8.00	7.10	7.97
	21-30	7.08	8.60	7.27	8.70
July:	1-10	7.38	8.04	7.04	6.91
	11-20	7.75	7.15	7.54	7.82
	21-31	7.38	7.77	7.11	7.46
August:	1-10	7.11	7.63	8.55	7.93
	11-20	8.06	7.95	9.32	7.59
	21-31	13.41	11.80	9.15	8.60
September:	1-10	10.93	14.95	7.20	6.31
	11-20	9.10	9.25	5.71	6.08
	21-30	10.69	8.91	8.29	7.65
October:	1-10	7.01	8.60	5.25	7.20
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.86	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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STATISTICAL BULLETIN

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Statistical Reference Index
Acquisitions
4520 East West Highway - Suite 800
Bethesda MD 20814

Highlights

- CONSUMER DEMAND MAINTAINS MOMENTUM, DESPITE ONGOING WEAKNESS IN CAR AND HOME SALES, AND CONSUMERS REMAIN OPTIMISTIC.
- LABOR REPORTS SHOW SOME MODERATING TRENDS.
- STRONG INDUSTRIAL OUTPUT GROWTH BACKED BY VIGOROUS BUSINESS INVESTMENT, BUT EXPORT GROWTH IS STARTING TO SLIP.
- ON THE INFLATION WATCH: WAGES, AND FOOD AND RAW MATERIAL PRICES ARE UP, BUT THE PROGNOSIS IS GOOD.
- OUTLOOK • AFTER A MODEST RISE IN THE FOURTH QUARTER, GNP WILL QUICKEN IN THE FIRST QUARTER OF 1989, AND THEN SUBSIDE.

Volume 21, No. 11, November, 1988.

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: Despite its advanced age, the domestic expansion is currently firing on all fronts. Export growth continues, although no longer at an explosive pace. Consumer demand, long expected to peter out, shows no signs of letup. And strong business spending on plant and equipment, although bound to weaken in 1989, remains a major growth factor. The median of the **Economic Forecasts** is for annualized growth in real GNP of about 2½% in the fourth quarter, seasonally adjusted, spurting to a bit over 4% in the first quarter of 1989. Hot dry weather this summer stunted more than farm production, resulting in slower growth in the final quarter than expected. Some recovery early in 1989 explains, in part, the anticipated growth spurt. The bottom line is an economy still in third gear, which, in itself, could present problems, including the potential for further interest rate hikes by the Federal Reserve to avert economic overheating.

The concern is that the economy is growing too fast, as reflected in the sharp rise in hourly pay rates over the last two months. Moreover, there is concern of a repeat of last October's financial-market turmoil. Nevertheless, the **Economic Forecasts** point to considerable slowing in economic growth after the first quarter of 1989. Consumer demand, business investment, and export growth may all subside, as the final stages of the long expansion play out. Finally, a new round of interest rate hikes would increase the likelihood of that development.

DOMESTIC MARKET MONITOR

Although labor market activity appeared to be slowing, the October data on jobs and hours worked were strong enough to resurrect inflationary fears. Most troubling, the average hourly pay rate in private industry hit $9.44 in October, a full 12 cents higher than only two months earlier. That sharp, sudden rise suggests employers are bidding up wages for qualified job applicants in a tight labor market.

The irony is that, even though job growth remains strong and hourly pay rates are rising, labor force growth has again turned sluggish. The number of black adult men working or looking for work was 1.4% higher in October than three months earlier, a fairly strong gain. But the rate for black adult women fell. Among white adults, the rise for women offset a decline for men. One implication of these conflicting statistics is that the decline in the unemployment rate may be overstated.

Whether overstated or not, the drop in unemployment may be reaching its end. The Conference Board's **Help-wanted Index**, a measure of labor demand, confirms no major rise in demand over the last year. The consensus of the **Economic Forecasts** is for little change in the unemployment rate until spring, when it is expected to begin inching up. Again a tightening in monetary policy, if it develops now, enhances that prospect.

INCOME: After a dip in August, wage growth resumed in September, as a result of more hours worked and gains in hourly pay. Wages in commodity-producing industry were 1.5% higher in September than three months earlier. Wages in the "other industry" category were 1.9% higher. Given the rise in hours and hourly pay in October, strong wage gains undoubtedly continued.

Nonwage income growth, which had been faltering, has recovered somewhat, chiefly reflecting faster gains in rental and interest income. Shopkeepers' income, however, is still falling.

The slow pace of consumer borrowing continues. But some pickup in wage income helped to further reduce the ratio of **Consumer Installment Debt Expansion to Personal Income** through September. If interest rates are raised, consumers will be even more reluctant to borrow money. One possible exception would be a slight rise in auto loans, if incentive programs are reintroduced.

Consumer optimism continues to falter, albeit slightly. The Conference Board's **Consumer Confidence Index** stood at 117.4 (1985=100) in October, compared to 119.7 in August. The Expectations Component, however, was at the same level in both months, suggesting unshaken faith in continued job and pay gains. The strong employment rise in October will reaffirm that faith, but confidence will still be vulnerable to the first signs of more unemployment or inflation.

SPENDING: Slower income gains in August seem to have limited the rise in consumer spending in September. Retail sales, except autos, were only 1% higher in September than three months earlier. Sales of durable goods, except cars, were actually 1% lower. With income growth picking up in September, and probably again in October, more moderate increases in consumer buying are likely to reappear, if only temporarily.

Car sales remain a weak segment of consumer demand. New domestic **Automobile Sales** were running at a 7.2 million annual rate, seasonally adjusted, in October, not much stronger than in prior months. Sales of foreign models have also remained modest. The buying pace may pick up, however, especially if incentive programs are reintroduced. Car makers may have to resort to such techniques to overcome the impact of higher auto loan rates.

CONSTRUCTION: Home sales, which have been flat for some time, are another weak link in consumer demand. Homebuilders, however, usually do not engage in the kinds

Ken Goldstein, Editor

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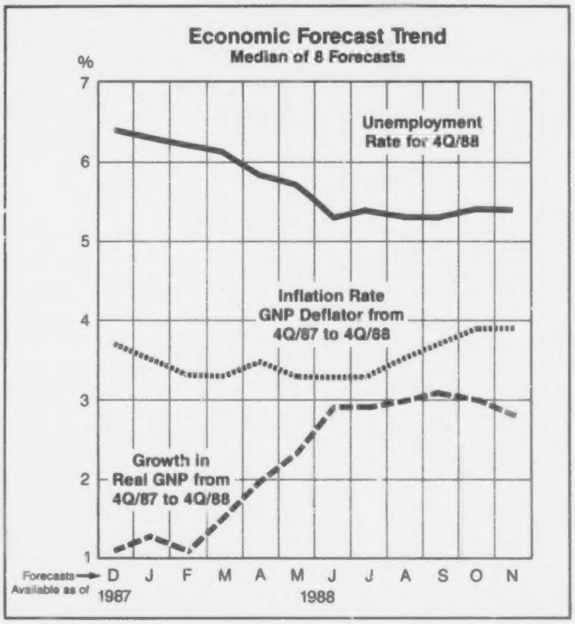

Economic Forecast Trend
Median of 8 Forecasts

of incentive programs that spur car sales. Home buying, then, is unlikely to turn around soon. That prognosis is backed by the continued slide in home building. Single-unit home starts were 3.8% lower in September than three months earlier.

Nonresidential construction is also now mired in a slump. Industrial, office, and commercial, but not public, building were lower in October than three months earlier. The decline in hours worked in construction in October indicates that the building slump persists.

PRODUCTION: Business investment, exports, and consumer spending are all rising, leading to strong industrial output gains, high capacity utilization, and continued gains in new hiring. Industrial output was 1.3% higher in September than three months earlier, despite a 0.4% decline in defense- and space-related output. Production of consumer durables was 0.8% higher. Business equipment was 1.8% higher. The strong rise in manufacturing jobs and hours worked in October suggest no change in trend is developing.

The degree of strength in business investment, exports, and consumer spending is reflected in the rising trend in new orders, except for defense-related goods. September's drop was probably a one-month aberration. Despite September's decline, the ratio of unfilled orders to shipments was still 4.1% higher than three months earlier, indicating that order books are sufficiently full to keep production humming for the next few months, even if the rise in new orders slows a little.

INVENTORY: The degree of strength in industrial conditions is also reflected in the continued decline in inventory ratios. Total inventory, except cars at the retail level, was 2% higher in August than three months earlier. But industrial sales were 2.9% higher. Thus, the Inventory-to-Sales ratio fell. That ratio has been edging down all year. With both rising consumer demand and business investment, inventory ratios almost surely fell again in September and October, keeping up pressure to maintain the high pace of production schedules.

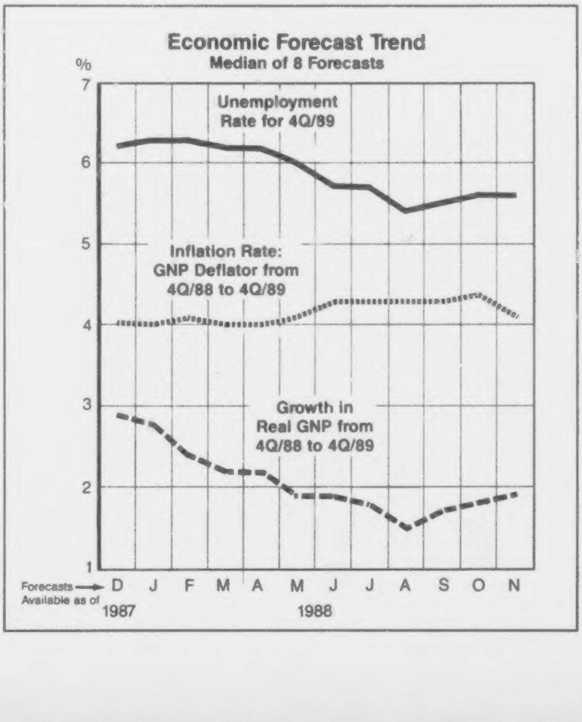
INFLATION: Financial-market jitters were quieting down, but with hourly pay rates jumping for two straight months, nerves may again become frayed. Strong industrial demand is pushing up the price of raw materials. Raw industrial metal prices have been rising for the last six months. Crop prices are also rising. Still, wholesale prices for crude materials, except food and energy, were lower in October than in August.

So, where is inflation headed? The consensus of the **Economic Forecasts** is that the CPI will be rising by about 5% by the first quarter of 1989. Even the most pessimistic forecast calls for no more than a 6% rate by the fourth quarter of 1990 (the last quarter in the forecast horizon). Such forecasts have not quelled financial jitters in the past, and are unlikely to do so now, unless accompanied by interest rate hikes.

INTERNATIONAL MONITOR

The export news is not as bad as first appears. Total exports of manufactured goods were only 2.1% lower in August than three months earlier. But exports of autos and parts were 14% higher, while consumer goods shipments were up by 5%, and capital goods shipments rose 3 percent. In addition, the data show declines in exports to Canada and Europe, economies growing fast enough to absorb more, not less, exports from the United States (see the **Selected International Comparisons** chart).

Ken Goldstein
November 9, 1988

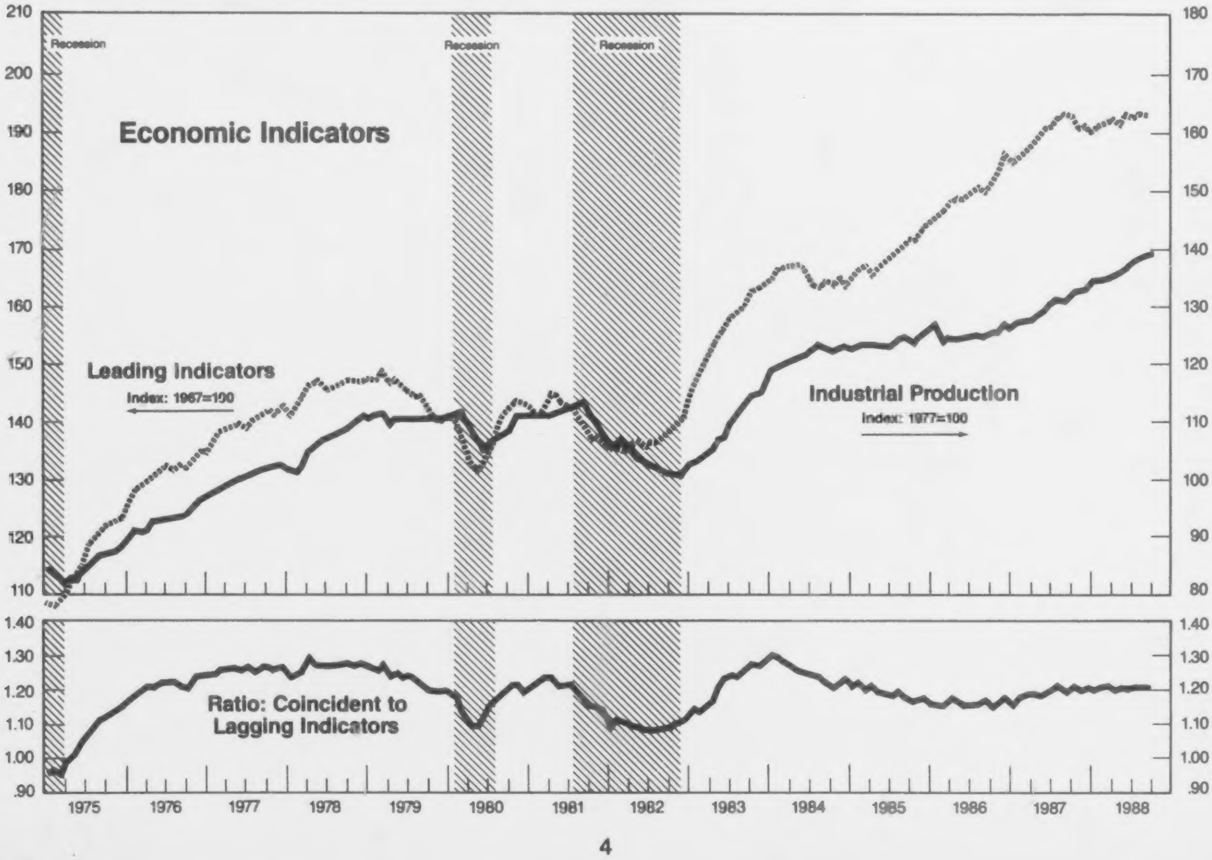

Economic Forecast Trend
Median of 8 Forecasts

STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Sept.		X		– 0.3%	0.7%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Sept.			X	– 6.7%	8.8%
New orders, nondefense capital goods (deflated)	Sept.			X	– 6.5%	12.4%
*New business formation	Sept.	X			1.9%	2.4%
*Housing permits	Sept.			X	– 6.6%	– 7.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Sept.	X			0.0%	2.1%
*Change in inventory, on hand & order (deflated)	Aug.		X		–19.1%	–59.8%
Purchasing manager's buying policy	Oct.			X	– 2.3%	–10.4%
*Vendor performance, reported slower deliveries	Sept.		X		– 5.7%	– 4.3%
Industrial raw materials prices	Oct.			X	– 1.6%	3.3%
*Change in sensitive material prices	Sept.			X	–35.6%	–77.2%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Sept.			X	– 0.5%	1.2%
Change in business loans	Sept.			X	–308.1%	–266.6%
*Change in credit outstanding	Aug.	X			71.0%	158.5%
Change in consumer installment debt	Sept.			X	–33.2%	–54.3%
Profitability						
Total corporate profits, after tax (deflated)	2nd.Q	X			9.1%	13.8%
*Common stock prices	Oct.	X			2.6%	– 1.5%
Marginal Employment Adjustments						
*Average workweek, mfg.	Oct.		X		0.0hr	– 0.1hr
*Initial unemployment claims (inverted)	Sept.	X			3.1%	1.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1987 Sept.	1988 Jun.	Jul.	Aug.	Sept.(e)
Principal Diffusion Index	64.8r	60.3r	59.5r	57.0r	57.0
Auxiliary Diffusion Index	53.6r	60.3r	47.3r	42.1r	49.9
Industrial Group	63.5r	57.2r	56.5r	55.2r	55.7
Nonindustrial Group	66.2r	63.4r	62.4r	58.8r	58.3
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	70.1	56.8r	62.8r	63.2	64.1
Labor	57.4	59.5r	54.7r	52.2r	56.0
Miscellaneous	68.6	51.9	51.3	50.6	42.3
Nonindustrial Subgroups					
Prices	81.4	59.6	50.6	42.9	43.6
Consumer	69.7	67.7	67.9r	68.2r	63.2
Building	51.6	57.1	64.1	55.8	62.8
Miscellaneous	62.4r	65.8r	63.7	62.2r	60.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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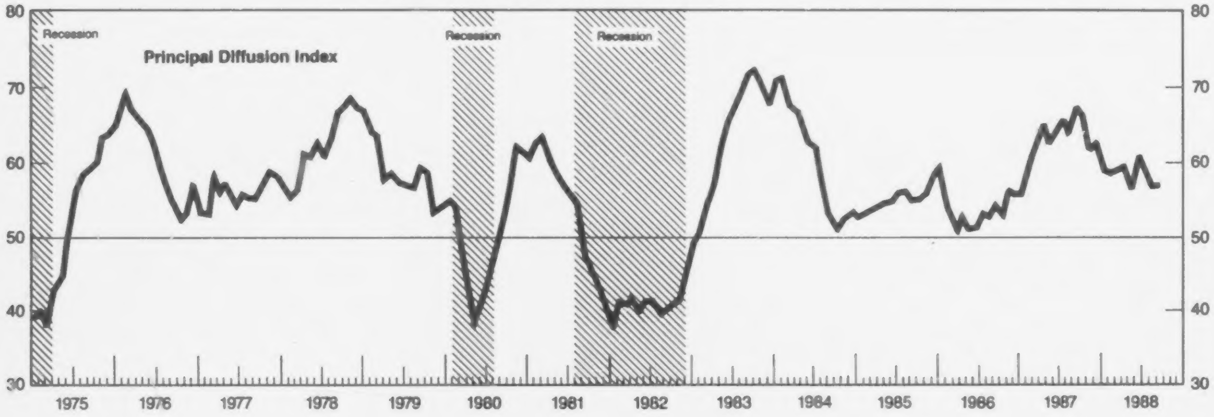
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985 Nov.	1986 Feb.	May	Aug.	Nov.	1987 Feb.	May	Aug.	Nov.	1988 Feb.	May	Aug.
	Score (scale 0-100)											
Measure of Business Confidence	55	61	61	50	51	55	55	59	47	51	58	56
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	53	63	61	44	50	56	55	62	50	49	64	65
2. Expectations for Economy. Six Months Ahead	56	62	62	52	51	54	53	56	43	50	54	51
3. Expectations for Own Industry, Six Months Ahead	56	59	60	54	53	56	56	58	48	54	55	53

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Oct., 1988*		*Oct., 1988*		*Oct., 1988*		*Oct., 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**III**	**$4899.5**	**6.4%**	**$4899.5**	**6.4%**	**$4899.5**	**6.4%**	**$4899.5**	**6.4%**
Forecast	1988	IV	4983.3	7.0	4982.9	7.0	4982.0	6.9	4955.8	4.7
	1989	I	5096.8	9.4	5095.6	9.4	5054.1	5.9	5067.9	9.4
		II	5177.3	6.5	5173.6	6.3	5130.7	6.2	5148.6	6.5
		III	5222.8	3.6	5220.6	3.7	5207.8	6.1	5221.0	5.7
		IV	5244.5	1.7	5261.9	3.2	5284.2	6.0	5302.4	6.4
	1990	I	5268.0	1.8	5338.7	6.0	5358.1	5.7	5373.6	5.5
		II	5327.4	4.6			5442.0	6.4	5446.6	5.5
		III	5398.3	5.4			5525.1	6.2		
		IV	5464.6	5.0			5615.2	6.7		
	1988	Annual	4857.8	7.3	4857.7	7.3	4857.5	7.3	4850.9	7.2
	1989	Annual	5185.4	6.7	5187.9	6.8	5093.7	4.9	5185.0	6.9
	1990	Annual	5364.6	3.5			5485.1	7.7		
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**III**	**$4007.3**	**2.2%**	**$4007.3**	**2.2**	**$4007.3**	**2.2%**	**$4007.3**	**2.2%**
Forecast	1988	IV	4041.6	3.5	4031.7	2.5	4034.0	2.7	4019.3	1.2
	1989	I	4095.9	5.5	4074.5	4.3	4053.0	1.9	4067.3	4.9
		II	4113.6	1.7	4088.0	1.3	4072.0	1.9	4089.4	2.2
		III	4102.2	-1.1	4085.2	-0.3	4091.0	1.9	4107.8	1.8
		IV	4076.2	-2.5	4078.6	-0.6	4109.0	1.8	4129.6	2.1
	1990	I	4047.9	-2.7	4091.7	1.3	4128.0	1.9	4139.9	1.0
		II	4054.7	0.7			4151.0	2.2	4145.1	0.5
		III	4068.1	1.3			4173.0	2.1		
		IV	4078.4	1.0			4203.0	2.9		
	1988	Annual	3997.6	3.9	3995.1	3.8	3995.7	3.9	3992.0	3.8
	1989	Annual	4097.0	2.5	4081.6	2.2	4081.3	2.1	4098.5	2.7
	1990	Annual	4062.3	-0.8			4163.8	2.0		
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**III**	122.3	**4.1%**	122.3	**4.1%**	122.3	**4.1%**	122.3	**4.1%**
Forecast		IV	123.3	3.4	123.6	4.4	123.5	4.1	123.3	3.4
	1989	I	124.4	3.7	125.1	4.8	124.7	3.9	124.6	4.3
		II	125.9	4.6	126.6	4.9	126.0	4.2	125.9	4.2
		III	127.3	4.7	127.8	4.0	127.3	4.2	127.1	3.9
		IV	128.7	4.3	129.0	3.9	128.6	4.2	128.4	4.2
	1990	I	130.1	4.7	130.5	4.6	129.8	3.8	129.8	4.4
		II	131.4	3.9			131.1	4.1	131.4	5.0
		III	132.7	4.0			132.4	4.0		
		IV	134.0	3.9			133.6	3.7		
	1988	Annual	121.5	3.3	121.6	3.3	121.6	3.3	121.5	3.3
	1989	Annual	126.6	4.2	127.1	4.5	126.6	4.2	126.5	4.1
	1990	Annual	132.1	4.3			131.7	4.0		
Unemployment Rate										
Actual	**1988**	**III**		**5.3%**		**5.4%**		**5.5%**		**5.5%**
Forecast		IV		5.3		5.3		5.5		5.3
	1989	I		5.2		5.3		5.6		5.1
		II		5.1		5.5		5.7		4.9
		III		5.1		5.7		5.7		4.9
		IV		5.4		6.1		5.8		5.0
	1990	I		5.8		6.4		5.8		5.2
		II		6.2				5.7		5.4
		III		6.5				5.6		
		IV		6.7				5.6		
	1988	Annual		5.4		5.5		5.6		5.5
	1989	Annual		5.2		5.7		5.7		5.0
	1990	Annual		6.3				5.7		5.3

Notes: [1] Based on preliminary third quarter data.

ECONOMIC FORECASTS (continued)

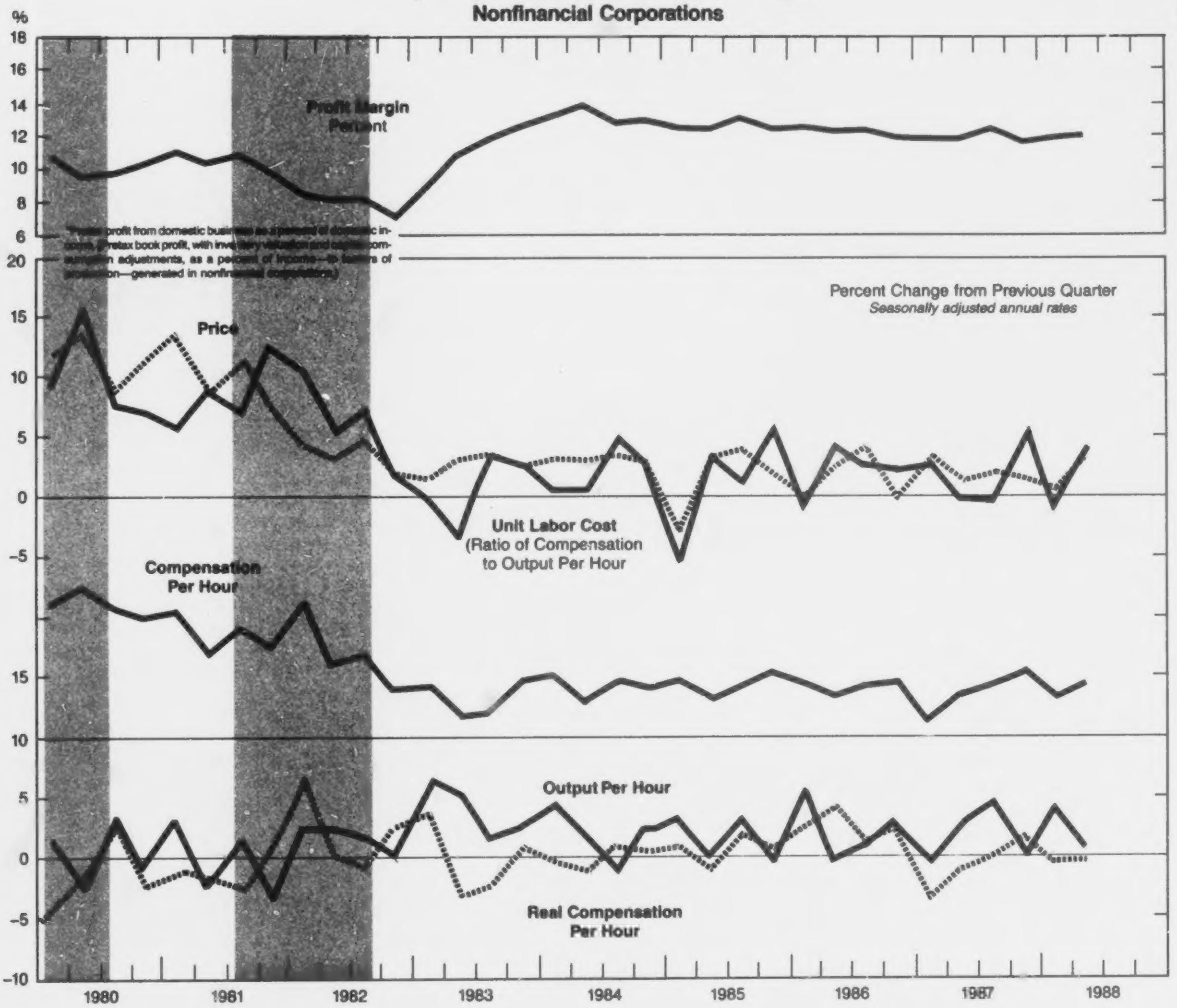
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Oct., 1988		*Oct., 1988*		*Oct., 1988*		*Oct., 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4899.5	**6.4%**	**$4899.5**	**6.4%**	**$4899.5**	**6.4%**	**$4899.5**	**6.4%**	**III**	**1988**	**Actual**
4993.0	7.9	4975.1	6.3	4959.5	5.0	4969.0	5.8	IV		Forecast
5079.0	7.1	5086.2	9.2	5060.4	8.4	5065.5	8.0	I	1989	
5150.0	5.7	5161.5	6.1	5118.8	4.7	5134.0	5.5	II		
5192.0	3.3	5227.7	5.2	5180.1	4.9	5215.6	6.5	III		
5224.0	2.5	5294.2	5.2	5242.6	4.9	5300.5	6.7	IV		
		5380.6	6.7	5321.0	6.1	5383.3	6.4	I	1990	
		5458.9	5.9	5406.8	6.6	5475.8	7.1	II		
		5542.9	6.3	5507.6	7.7	5575.9	7.5	III		
		5635.5	6.9	5613.7	7.9	5676.7	7.4	IV		
4860.2	7.4	4855.7	7.3	4851.8	7.2	4854.2	7.2	Annual	1988	
5161.3	6.2	5192.4	6.9	5150.5	6.2	5178.9	6.7	Annual	1989	
		5504.5	6.0	5462.3	6.1	5527.9	6.7	Annual	1990	
								Gross National Product Billions of Constant (1982) Dollars		
$4007.3	**2.2%**	**$4007.3**	**2.2%**	**$4007.3**	**2.2%**	**$4007.3**	**2.2%**	**III**	**1988**	**Actual**
4036.4	2.9	4022.6	1.5	4021.3	1.4	4027.6	2.0	IV		Forecast
4056.9	2.0	4071.3	4.9	4070.4	5.0	4060.5	3.3	I	1989	
4063.7	0.7	4096.1	2.5	4077.9	0.7	4073.1	1.2	II		
4049.7	−1.4	4118.0	2.2	4087.0	0.9	4096.2	2.3	III		
4030.9	−1.8	4140.1	2.2	4099.7	1.2	4125.7	2.9	IV		
		4162.1	2.1	4115.5	1.6	4142.1	1.6	I	1990	
		4185.1	2.2	4141.0	2.5	4169.6	2.7	II		
		4212.0	2.6	4176.8	3.5	4201.5	3.1	III		
		4243.7	3.0	4214.0	3.6	4235.8	3.3	IV		
3996.3	3.9	3992.8	3.8	3992.5	3.8	3994.1	3.8	Annual	1988	
4050.3	1.4	4106.4	2.8	4083.9	2.3	4088.9	2.4	Annual	1989	
		4200.7	2.3	4161.8	1.9	4187.3	2.4	Annual	1990	
								Gross National Product deflator Index, 1982 = 100		
122.3	4.1%	122.3	4.1%	122.3	4.1%	122.3	4.1%	III	1988	Actual
123.7	4.8	123.7	4.7	123.3	3.5	123.4	3.7	IV		Forecast
125.2	4.9	124.9	4.1	124.3	3.3	124.8	4.5	I	1989	
126.7	5.0	126.0	3.5	125.5	3.9	126.0	4.2	II		
128.2	4.7	126.9	3.0	126.7	3.9	127.3	4.1	III		
129.6	4.4	127.9	3.0	127.9	3.6	128.5	3.7	IV		
		129.3	4.5	129.3	4.5	130.0	4.7	I	1990	
		130.4	3.6	130.6	4.0	131.3	4.3	II		
		131.6	3.6	131.9	4.0	132.7	4.3	III		
		132.8	3.7	133.2	4.2	134.0	4.0	IV		
121.6	3.4	121.6	3.4	121.5	3.3	121.5	3.3	Annual	1988	
127.4	4.8	126.4	4.0	126.1	3.8	126.7	4.2	Annual	1989	
		131.0	3.6	131.2	4.1	132.0	4.2	Annual	1990	
								Unemployment Rate		
	5.5%		**5.5%**		**5.5%**		**5.5%**	**III**	**1988**	**Actual**
	5.5		5.4		5.4		5.4	IV		Forecast
	5.5		5.4		5.5		5.4	I	1989	
	5.6		5.4		5.5		5.5	II		
	5.9		5.4		5.6		5.6	III		
	6.3		5.4		5.7		5.6	IV		
			5.5		5.8		5.7	I	1990	
			5.5		5.9		5.8	II		
			5.5		5.9		5.8	III		
			5.5		5.8		5.7	IV		
	5.6		5.5		5.5		5.5	Annual	1988	
	5.8		5.4		5.6		5.5	Annual	1989	
			5.5		5.9		5.8	Annual	1990	

CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

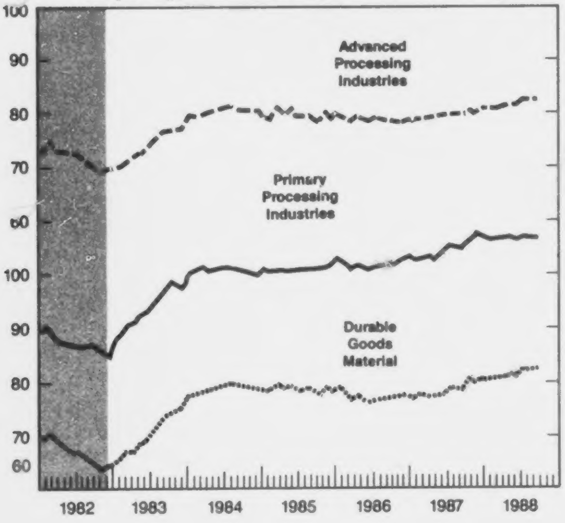
Key Determinants of Profit Margin

Nonfinancial Corporations

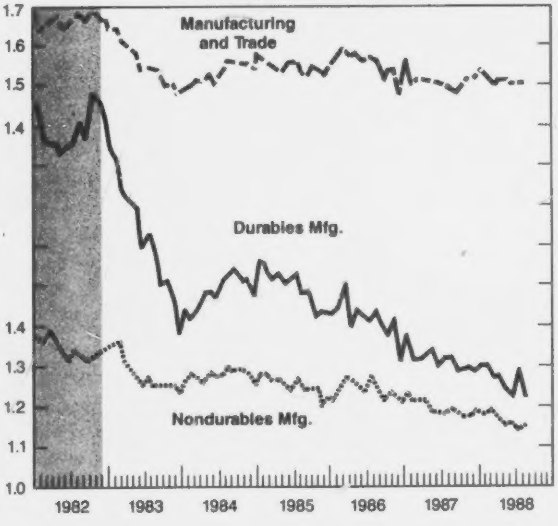


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



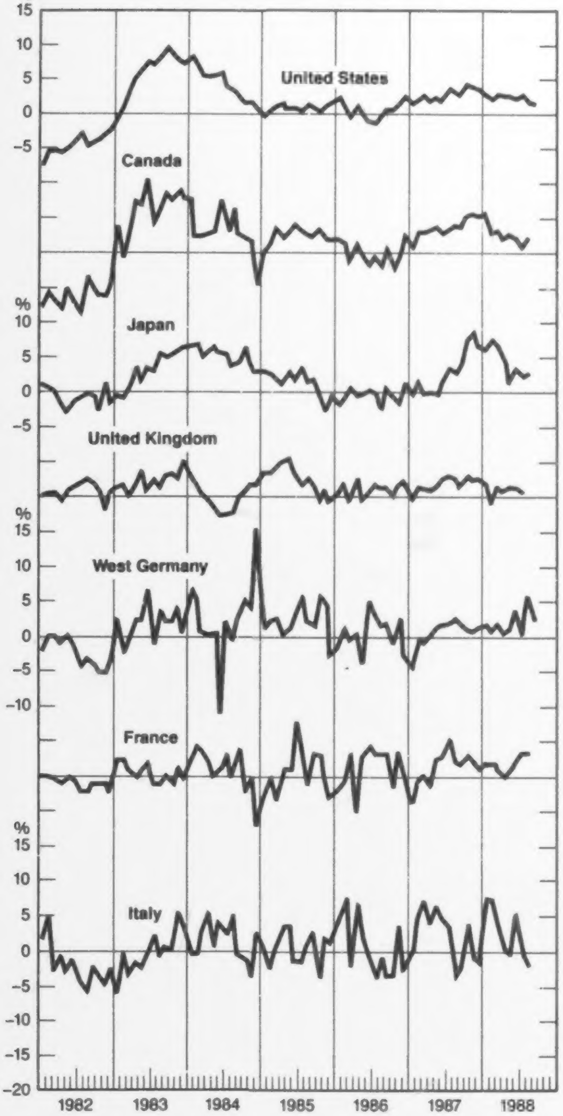
Inventory—Sales Ratios



Selected International Comparisons

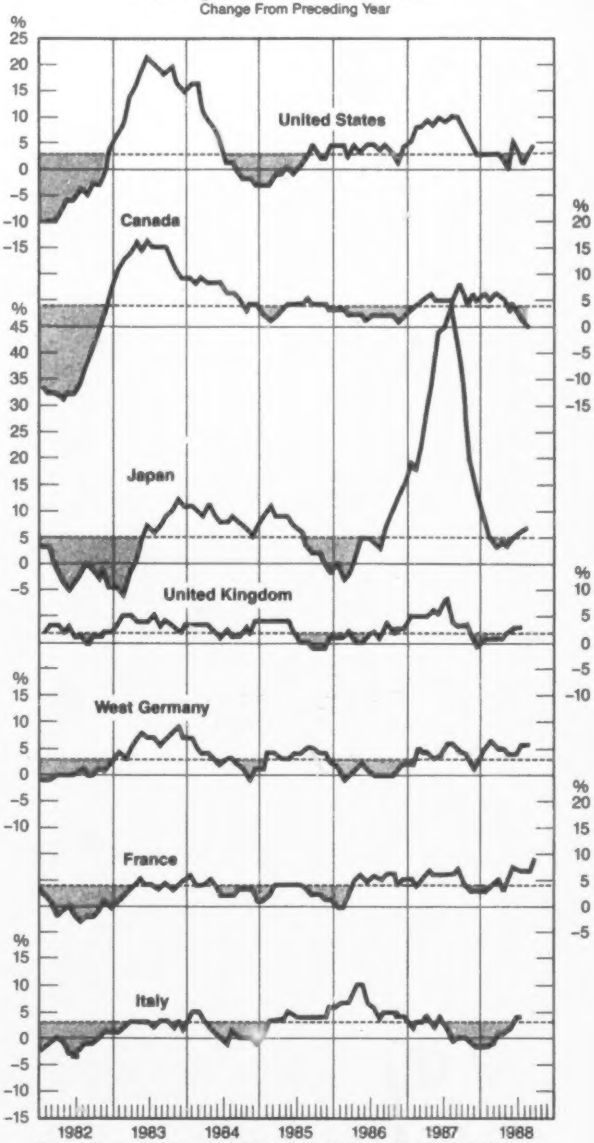
Industrial Production Indexes

Change Over Six Month Span



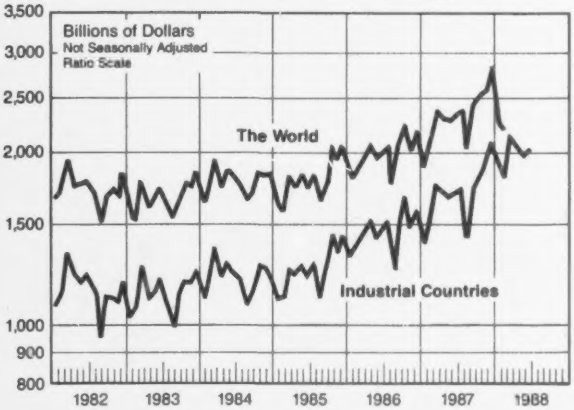
Leading Business Cycle Indexes

Change From Preceding Year

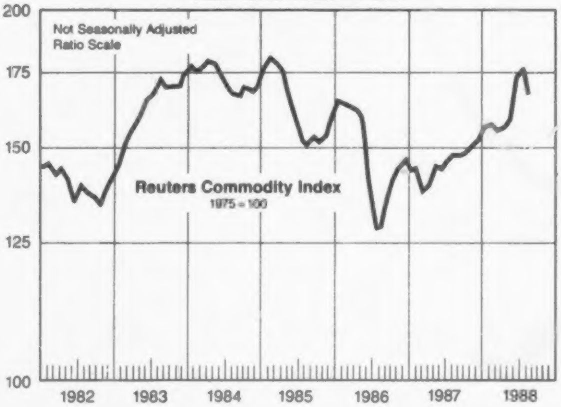


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports



Raw Materials Prices



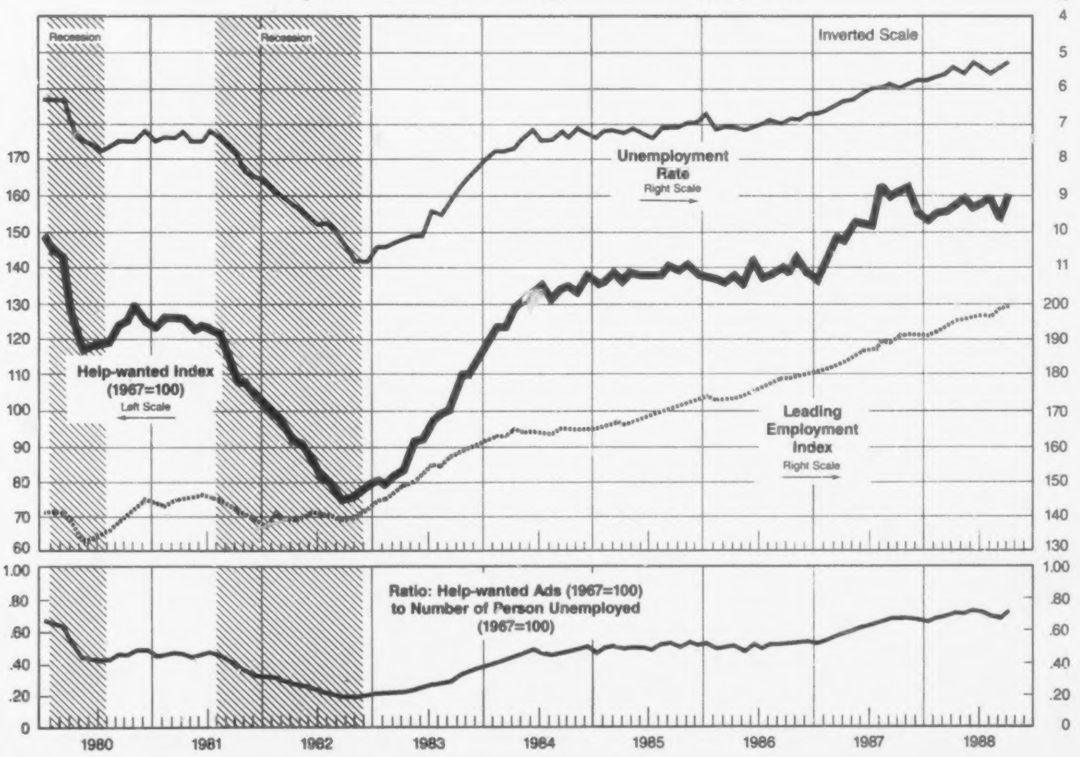
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

	1988			1987
Locality	**Sep.**	**Aug.**	**Jul.**	**Sep.**
National Index	153	160	159	159r
New England	141	145	148	175
Boston	133	143	145	174
Hartford	149	152	152	184
Providence	159	147	154	171
Middle Atlantic	85	89	87	93
Albany	239	235	188	305
Allentown	395	397	375	392
New York	56	59	59	67
Philadelphia	68	73	74	77
Pittsburgh	100	105	106	90
Rochester	91	104	115	92
Syracuse	171	170	158	149
East North Central	105	110r	112	104
Chicago	110	117	119	117
Cincinnati	179	173	184	160
Cleveland	71	77	81	64
Columbus	171	189	189	180
Dayton	92	94r	93	86
Detroit	58	61	62	56
Gary	197	198	206	172
Indianapolis	129	136	119	115
Milwaukee	88	85r	84	82r
Toledo	140	146	152	136
West North Central	94	102	105	97r
Kansas City	118	139	138	131
Minneapolis	86	96	98	97r
Omaha	168	158	170	145
St. Louis	68	70	76	64
South Atlantic	214	223r	218	223r
Atlanta	256	268	279	283
Baltimore	262	269	251	265
Charlotte	207	215	216	208
Jacksonville	231	243	232	249
Miami	172	180r	169	169r
Richmond	139	154	155	160
Washington, D.C.	N.A.	N.A.	195	197
East South Central	189	196	189	192
Birmingham	196	201	197	187r
Knoxville	322	340	332	296
Louisville	107	107	103	98
Memphis	140	150	140	143
Nashville	257	266	253	306
West South Central	174	180r	184r	170r
Dallas	145	154	160	157
Houston	255	262r	257r	244r
New Orleans	126	126	140	115
Oklahoma City	116	123	126	109
San Antonio	142	141	149	135
Tulsa	145	150	162	127
Mountain	304	311	319	312
Denver	202	213	218	209
Phoenix	401	404	399	433
Salt Lake City	366	371	400	343
Pacific	250	261	253	255
Los Angeles	165	180	170	173
Sacramento	522	497	487	481
San Bernadino	261	311	306	316
San Diego	571	601	621	590
San Francisco	262	261	248	265
Seattle	267	265	262	244
Percentage of papers with rising volume	20	47	67	43r
Unemployment rate	5.4	5.6	5.4	5.9

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7r	117.4p		
Expectations Index												
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1r	109.0p		

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

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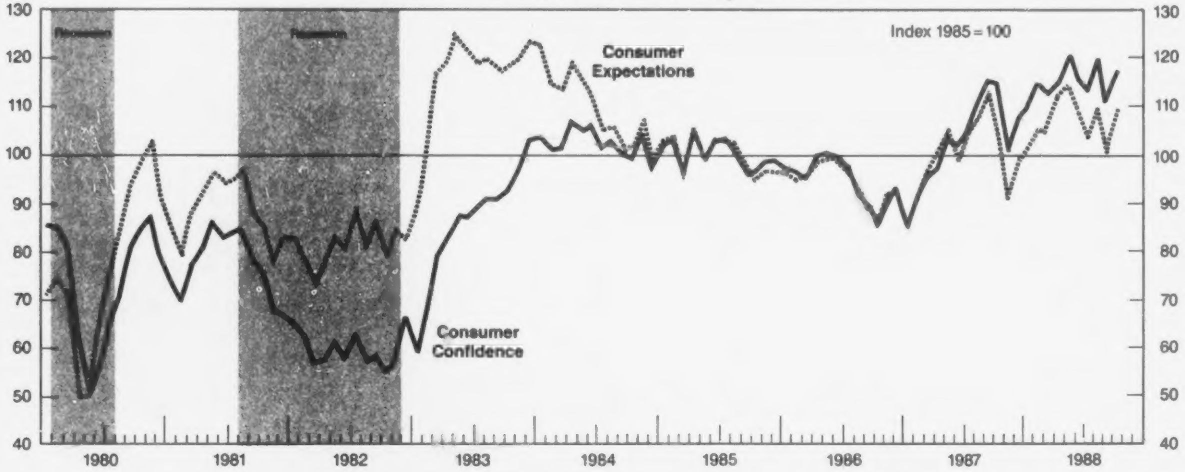
Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

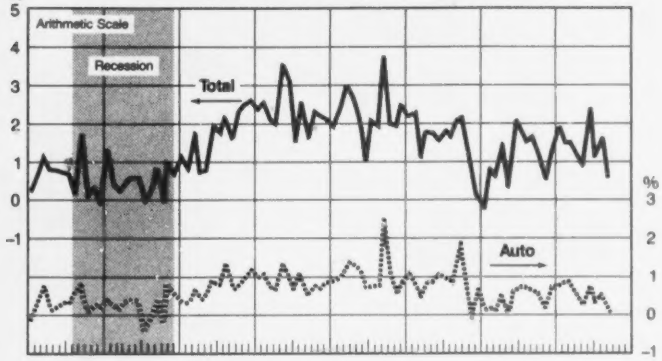
	1986	1987				1988		Percent Change From Previous Year Actual	Percent Change From Previous Year Estimate
	IV-86	I-87	II-87	III-87	IV-87	I-88(r)	II-88(p)	1987	1988
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	20.097	21.441	32.257	29.561	35.909	30.846	39.682	31%	23%
Capital expenditures	23.299	20.801	25.933	27.381	29.820	29.412	31.469	11	26
Change in appropriations backlog*	−10.990	−0.550	5.460	−0.080	3.510	0.650	7.840		
Durable Goods									
New appropriations	10.807	9.746	16.515	17.208	20.245	14.310	18.442	55	20
Capital expenditures	12.915	11.124	14.006	13.970	16.037	15.780	16.368	17	26
Change in appropriations backlog*	−4.140	−2.070	2.310	2.930	3.810	−1.720	2.530		
Nondurable Goods									
New appropriations	11.290	11.695	15.742	12.353	15.664	16.536	21.240	24	25
Capital expenditures	10.384	9.677	11.927	13.411	13.783	13.632	15.101	6	26
Change in appropriations backlog*	−6.853	1.520	3.160	−3.010	−0.300	2.590	5.310		
ELECTRIC & GAS UTILITIES									
New appropriations	5.468r	6.528r	5.605r	5.174r	6.286r	8.083	4.439		
Capital expenditures	6.114r	7.662r	7.072r	7.771r	6.590r	6.857	6.620		
Change in appropriations backlog*	−1.185r	−0.720r	−1.610r	−2.840r	−0.430r	1.235	−2.630		

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

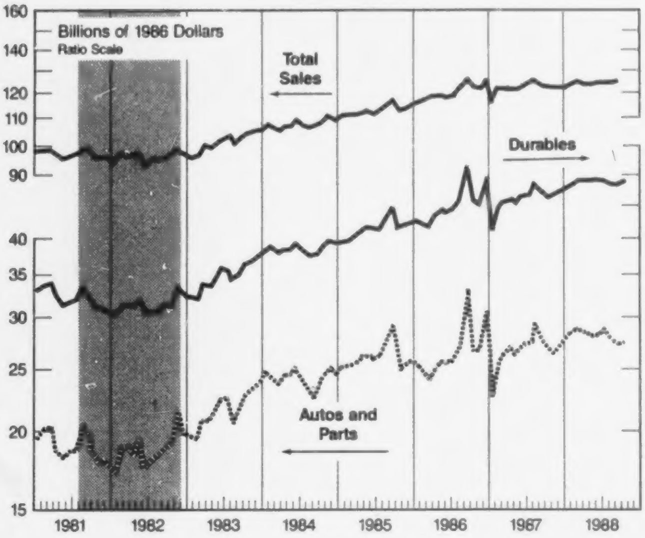
r—revised p—preliminary

* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



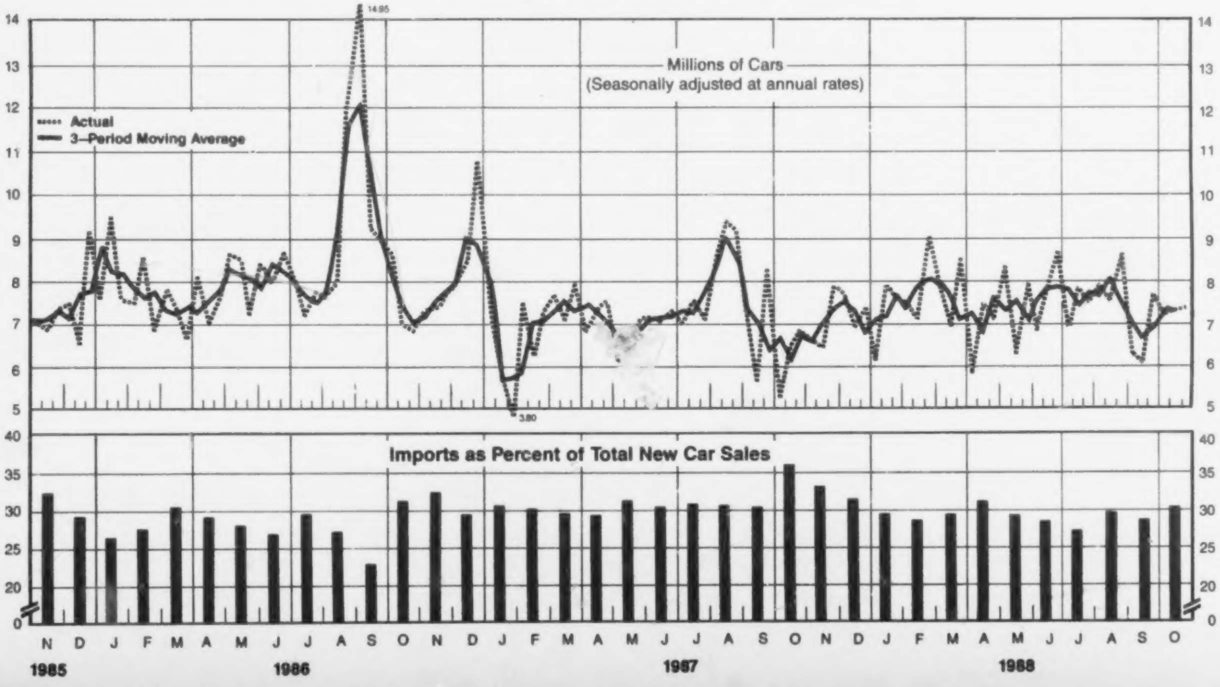
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	6.94
	21-31	8.52	6.69	7.99	8.50
April:	1-10	7.87	8.09	6.87	5.82
	11-20	9.24	7.07	7.35	7.45
	21-30	8.03	7.55	7.57	7.04
May:	1-10	7.91	8.63	6.17	8.37
	11-20	8.76	8.56	6.43	6.31
	21-31	8.09	7.22	7.08	7.99
June:	1-10	8.33	8.40	7.14	6.81
	11-20	7.66	8.00	7.10	7.97
	21-30	7.08	8.60	7.27	8.70
July:	1-10	7.38	8.04	7.04	6.91
	11-20	7.75	7.15	7.54	7.82
	21-31	7.38	7.77	7.11	7.46
August:	1-10	7.11	7.63	8.55	7.93
	11-20	8.06	7.95	9.32	7.59
	21-31	13.41	11.80	9.15	8.60
September:	1-10	10.93	14.95	7.20	6.31
	11-20	9.10	9.25	5.71	6.08
	21-30	10.69	8.91	8.29	7.65
October:	1-10	7.01	8.60	5.25	7.20
	11-20	6.84	7.00	6.47	7.37
	21-31	7.32	6.88	6.86	7.38
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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STATISTICAL BULLETIN

Highlights

- CONSUMER DEMAND IS MAINTAINING ITS STRENGTH, AMID FALTERING CONSUMER OPTIMISM; CAR AND HOME SALES SHOW SOME RECOVERY.
- TIGHT LABOR MARKETS CONTINUE TO FEED INFLATION CONCERNS.
- STRONG INDUSTRIAL GROWTH PERSISTS, BUT EXPORTS HAVE SLOWED.
- ON THE INFLATION WATCH: IF THE ECONOMY COOLS IN 1989, SO WILL INFLATION WORRIES.
- OUTLOOK • A VERY STRONG FIRST QUARTER 1989 APPEARS ASSURED. BUT SO DOES A SUBSTANTIAL SLOWDOWN THEREAFTER.

Volume 21, No. 12, December, 1988

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The U.S. economy appears in peak condition. The problem: It may indeed be peaking. Consumer demand, long expected to run out of steam, remains quite robust, and there is continued strength in business spending on plant and equipment. Exports, although no longer explosive, are still rising. These trends are expected to persist, at least through the first quarter of 1989. Thereafter, the Economic Forecasts suggest that conditions will weaken.

Among other factors at play, interest rates were raised four times within the last six months. And rates could go higher. Inflationary pressure, principally from higher wage costs, is mounting, putting upward pressure on interest rates. The cumulative effect of higher rates is a slowing of activity, especially in interest-sensitive sectors. A falling dollar, a widening trade deficit, and tight monetary policy will all contribute to a slowdown in economic growth after the first quarter of 1989.

DOMESTIC MARKET MONITOR

The **Economic Forecasts** indicate that the unemployment rate will be higher, not lower, one year from now. This contrasts with job growth over the past 12 months, which brought the unemployment rate down to 5.4% in November, from 5.9% a year earlier. Were that to continue, the unemployment rate would be under 5% a year from now. That would send the hourly pay rate soaring as employers try to outbid each other for increasingly scarce qualified job applicants.

Nevertheless, the labor market may already be slowing. Labor productivity fell in both the second and third quarters (see chart on **Key Determinants of Profit Margins**). At least some employers, then, were hiring new workers to make up for the lost output per hour. But that increase in labor cost, in addition to the gains in hourly pay, will result in higher prices and lower demand for output and, hence, for labor input. Other negative signs in the labor market include the continued flatness in the Conference Board's **Help-wanted Index**, a measure of labor demand. Initial unemployment claims, which had been dropping sharply, have stabilized in recent weeks. These data suggest that gains in new hiring might begin to weaken after the first quarter of 1989.

INCOME: Gains in hiring, hours worked, and average hourly pay rates have maintained vigorous increases in wage income. Wages in commodity-producing industry were fully 2.4% higher in October than three months earlier, with an equal gain in the "other industry" category. And given the rise in jobs and hours worked in November, that very strong pace probably continued.

Nonwage income growth is strengthening. In fact, gains in rental and shopkeepers' income exceeded the gains in wage income over the last three months. Dividends and interest income are also rising strongly.

Not surprisingly, consumer borrowing remains sluggish. It has not been strong for some time, and higher interest rates this past summer, even before the latest hikes, helped discourage financed purchasing. With rates going still higher and with income gains strong, consumer borrowing is likely to remain sluggish.

Even though both job and income growth remain very strong, The Conference Board's **Consumer Confidence Index** fell to 113.1 (1985=100) in November versus 120.2 in May (its highest level this year). The drop off in the **Expectations Component** was a little more pronounced: 102 in November versus 114.4 in May. Those numbers suggest that consumers do not expect strong job and pay growth to continue indefinitely. But they also do not appear to believe that the bottom will fall out, rather that the economy will cool somewhat next year.

SPENDING: Given robust gains in income and a relatively high degree of consumer confidence, the rise in consumer spending is surprisingly meager. In fact, retail sales of durable goods, except cars, were actually 0.4% lower than three months earlier. Consumers have made some attempt to restock their savings. But the spending data might also reflect a rather full "stock" of major appliances and furniture—after years of strong spending on such durables.

One spending area that seems to have benefitted from strong income gains is car buying. New domestic **Automobile Sales** reached a seasonally adjusted 7.8 million annual rate in November, about a half million higher than in recent months. Yet, producers were expecting even higher sales and are generally expected to reinstitute incentive programs to clear unsold cars.

CONSTRUCTION: Home sales have also recovered somewhat in recent months. Single-family home sales were 4.3% higher in October than three months ago, and the inventory of unsold homes declined—apparently influencing homebuilders to step up activity. Single-unit starts were 5.2% higher in October than three months earlier. Some consumers probably bought a new home in October to beat the anticipated rise in mortgage rates in November. It is difficult to gauge how strong the housing recovery will remain, and for how long, as mortgage rates continue to rise.

The slump in nonresidential construction also appears to be reversing. Although office and commercial building are still declining, industrial and public building (except

Ken Goldstein, Editor

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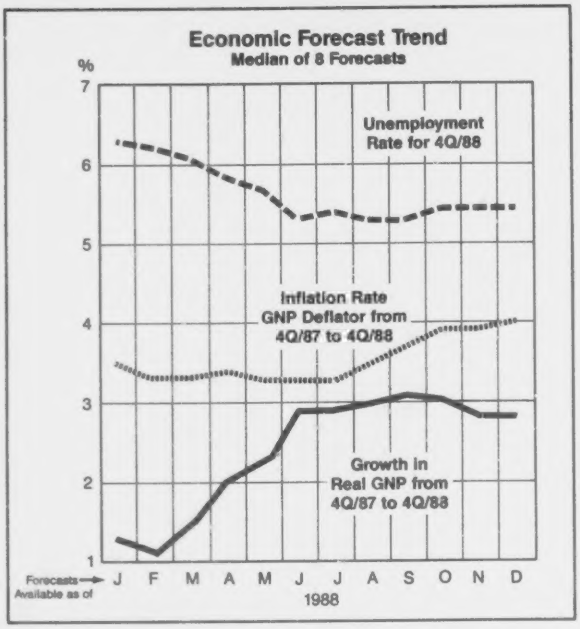


road construction) has strengthened. And the data on jobs and hours worked in construction in November suggest that both residential and nonresidential building might have increased that month.

PRODUCTION: Increases in business investment, in both plant and equipment, and in consumer spending, especially on nondurable goods, are resulting in continued strong gains in industrial output, rising capacity utilization, and higher manufacturing employment levels. Industrial output was 0.9% higher in October than three months earlier, despite a 0.2% decline in defense- and space-related output. Production of consumer durables was 1.4% higher, suggesting a lack of concern with the recent decline in spending in that area. The continued strong rise in manufacturing jobs and in hours worked in November suggests that production continued to expand sharply last month.

Consumer spending on durable goods may have sagged but new orders for durable goods, except for defense-related goods, continue to rise sharply. New orders were 2.3% higher in October than three months earlier. Moreover, despite the strong rise in production, the ratio of unfilled orders to shipments continued to fall. Thus, production schedules remain expansive, employers are hiring in a very tight labor market, and the order books continue to fill.

INVENTORY: The rise in inventory through most of this year has not resulted in any rise in the Inventory-to-Sales ratio, reflecting the degree of strength of industrial conditions. Total inventory, except cars at the retail level, was 1.9% higher in September than three months earlier, but the I/S ratio remained unchanged. Undoubtedly, the strong gains in durable-goods production in recent months, coupled with a slight drop in consumer purchases, resulted in some unintended inventory buildup. And, as mentioned earlier, unsold cars have piled up. Elsewhere, however, inventory levels remain stable relative to sales volume.

INFLATION: Continued tight labor-market conditions, sharp recent gains in hourly pay rates, and drought-induced food price hikes are causing inflationary fears as well as a rising chorus for higher interest rates. The fact that OPEC was able to agree on production levels, which has the potential for strengthening oil prices, is also a concern. And yet, despite strong durable-goods production, raw metal prices, after rising for six months, declined by 5% in November. Wholesale prices for crude materials, except food and energy, rose only 0.2% in October, after falling by 0.6% in September.

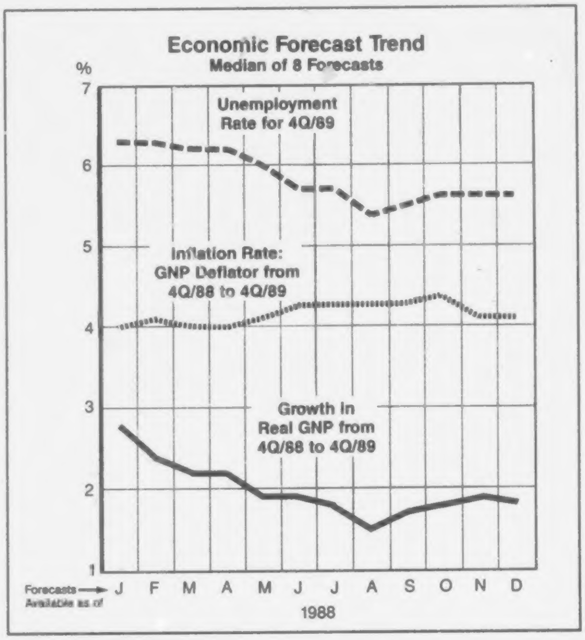
These data show that inflation has not yet broken its chains. The consensus of the **Economic Forecasts** is that the CPI is rising at just under 5%, annualized, in the fourth quarter of 1988 and may not rise any faster by the fourth quarter of 1989. Even the most pessimistic forecast calls for no more than a 6% rate by the first quarter of 1990. All of these forecasts, however, assume the economy will slow in 1989.

INTERNATIONAL MONITOR

The merchandise trade balance has improved. Despite robust growth in consumer and business spending, imports have declined in recent months. Imports of manufactured goods were 5.6% lower in September than three months earlier, despite a 6.5% rise in shipments of autos and parts. The fall in imports probably reflects a drop in demand resulting from earlier declines in the dollar.

Exports are rising because of the cheap dollar and because economic growth abroad has picked up recently (see the **Selected International Comparisons** chart). Still, total exports of manufactured goods were only 2.5% higher in September than three months earlier. That suggests that improvement in the trade balance could well be slowing.

Ken Goldstein
December 7, 1988

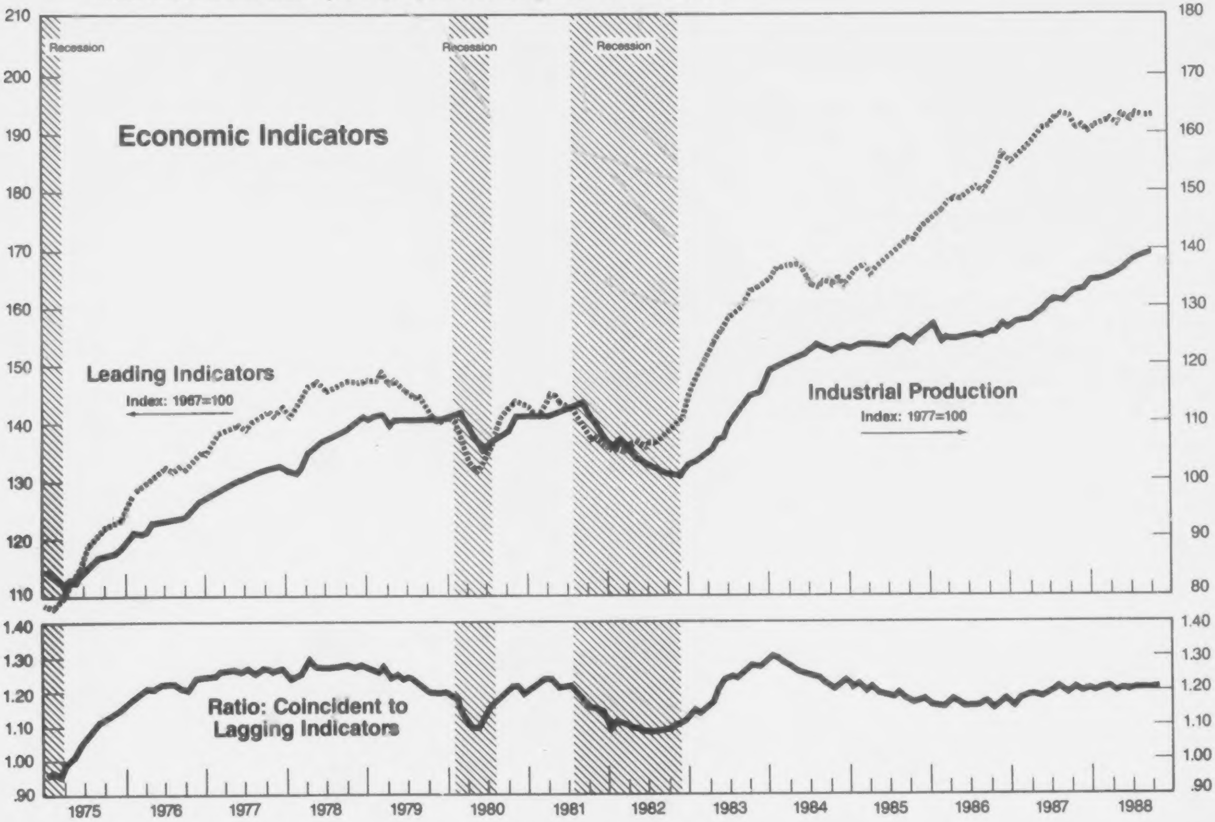


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Oct.		X		0.3%	0.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Oct.			X	– 6.9%	6.3%
New orders, nondefense capital goods (deflated)	Oct.			X	– 6.4%	11.0%
*New business formation	Oct.	X			2.6%	3.4%
*Housing permits	Oct.	X			6.8%	4.3%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Oct.	X			4.0%	2.1%
*Change in inventory, on hand & order (deflated)	Sept.	X			20.5%	–30.1%
Purchasing manager's buying policy	Nov.			X	–12.2%	–14.0%
*Vendor performance, reported slower deliveries	Oct.			X	–11.8%	–14.3%
Industrial raw materials prices	Oct.			X	– 1.6%	3.3%
*Change in sensitive material prices	Oct.			X	–110.9%	–104.6%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Oct.			X	– 0.8%	0.7%
Change in business loans	Oct.	X			42.4%	– 23.9%
*Change in credit outstanding	Sept.			X	–58.6%	–53.9%
Change in consumer installment debt	Sept.			X	–76.7%	–60.7%
Profitability						
Total corporate profits, after tax (deflated)	2nd.Q	X			9.1%	13.8%
*Common stock prices	Nov.	X			2.9%	10.7%
Marginal Employment Adjustments						
*Average workweek, mfg.	Nov.	X			0.2hr	0.0hr
*Initial unemployment claims (inverted)	Oct.	X			13.2%	0.7%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

	1987	1988			
DIFFUSION INDEXES	Oct.	Jul.	Aug.	Sept.	Oct.(e)
Principal Diffusion Index	64.3	58.8r	56.4r	55.6r	59.4
Auxillary Diffusion Index	48.1	44.8r	42.3r	47.6r	62.1
Industrial Group	64.7	56.6r	53.8r	56.0r	60.3
Nonindustrial Group	63.8	60.9r	59.0r	55.3r	58.4
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	69.7	62.8	58.1r	64.5r	70.1
Labor	60.9	55.0r	52.4r	56.3r	61.4
Miscellaneous	66.7	51.3	50.6	42.3	42.9
Nonindustrial Subgroups					
Prices	76.3	50.6	42.9	43.6	44.2
Consumer	64.5	67.9	68.2	63.2	69.0
Building	44.2	64.1	55.8	47.4r	55.8
Miscellaneous	67.9	58.5r	62.6r	60.5r	59.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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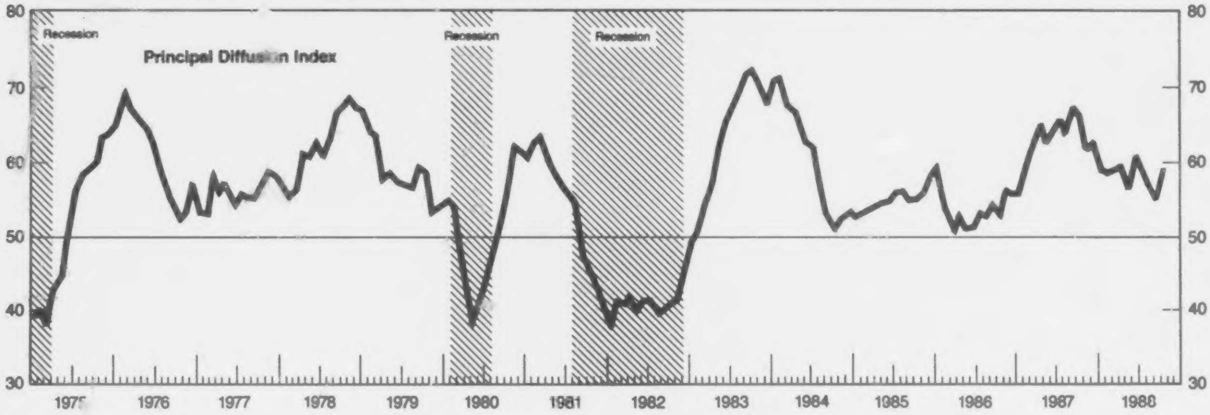
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985	*1986*				*1987*				*1988*		
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
	Score (scale 0-100)											
Measure of Business Confidence	55	61	61	50	51	55	55	59	47	51	58	56
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	53	63	61	44	50	56	55	62	50	49	64	65
2. Expectations for Economy, Six Months Ahead	56	62	62	52	51	54	53	56	43	50	54	51
3. Expectations for Own Industry, Six Months Ahead	56	59	60	54	53	56	56	58	48	54	55	53

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Nov., 1988*		*Nov., 1988*		*Nov., 1988*		*Nov., 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**III**	**$4909.2**	**7.3%**	**$4909.2**	**7.3%**	**$4909.2**	**7.3%**	**$4909.2**	**7.3%**
Forecast	1988	IV	4954.2	3.7	4993.8	7.1	4978.3	5.8	4964.8	4.6
	1989	I	5057.6	8.6	5110.3	9.7	5077.8	8.2	5076.9	9.3
		II	5119.4	5.0	5193.2	6.6	5135.8	4.6	5157.7	6.5
		III	5169.0	3.9	5244.1	4.0	5206.6	5.6	5256.2	7.9
		IV	5215.9	3.7	5290.8	3.6	5272.6	5.2	5313.0	4.4
	1990	I	5273.5	4.5	5369.2	6.1	5347.8	5.8	5368.5	4.2
		II	5333.7	4.6			5434.1	6.6	5423.5	4.2
		III	5404.3	5.4			5521.1	6.6		
		IV	5476.7	5.5			5617.9	7.2		
	1988	Annual	4852.8	7.2	[illegible]	7.4	4859.0	7.3	4855.6	7.3
	1989	Annual	5140.5	5.9	5209.6	7.1	5099.6	5.0	5201.0	7.1
	1990	Annual	5372.1	4.5			5480.2	7.5		
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**III**	**$4010.9**	**2.6%**	**$4010.9**	**2.6**	**$4010.9**	**2.6%**	**$4010.9**	**2.6%**
Forecast	1988	IV	4016.3	0.5	4032.5	2.2	4031.0	2.0	4023.3	1.2
	1989	I	4065.8	5.0	4082.1	5.0	4072.0	4.1	4071.3	4.9
		II	4074.1	0.8	4099.2	1.7	4076.0	0.4	4093.4	2.2
		III	4071.9	−0.2	4096.6	−0.3	4090.0	1.4	4112.8	1.9
		IV	4071.0	−0.1	4090.8	−0.6	4100.0	1.0	4134.6	2.1
	1990	I	4070.7	0.0	4104.5	1.3	4120.0	2.0	4136.0	0.1
		II	4077.5	0.7			4145.0	2.4	4127.5	−0.8
		III	4092.9	1.5			4170.0	2.4		
		IV	4109.5	1.6			4205.0	3.4		
	1988	Annual	3992.1	3.8	3996.2	3.9	3995.8	3.9	3993.9	3.8
	1989	Annual	4070.7	2.0	4092.2	2.4	4084.5	2.2	4103.0	2.7
	1990	Annual	4087.7	0.4			4160.0	1.8		
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**III**	122.4	**4.5%**	122.4	**4.5%**	122.4	**4.5%**	122.4	**4.5%**
Forecast		IV	123.4	3.2	123.8	4.8	123.5	3.7	123.4	3.3
	1989	I	124.4	3.4	125.2	4.4	124.7	3.9	124.7	4.3
		II	125.7	4.1	126.7	4.9	126.0	4.2	126.0	4.2
		III	126.9	4.2	128.0	4.2	127.3	4.2	127.8	5.8
		IV	128.1	3.8	129.3	4.2	128.6	4.1	128.5	2.2
	1990	I	129.5	4.5	130.8	4.7	129.8	3.8	129.8	4.1
		II	130.8	3.9			131.1	4.1	131.4	5.0
		III	132.0	3.8			132.4	4.0		
		IV	133.3	3.8			133.6	3.7		
	1988	Annual	121.6	3.3	121.7	3.4	121.6	3.3	121.6	3.3
	1989	Annual	126.3	3.9	127.3	4.6	126.7	4.2	126.8	4.3
	1990	Annual	131.4	4.1			131.7	4.0		
Unemployment Rate										
Actual	**1988**	**III**		**5.5%**		**5.5%**		**5.5%**		**5.5%**
Forecast		IV		5.5		5.4		5.3		5.3
	1989	I		5.5		5.4		5.4		5.1
		II		5.6		5.3		5.5		5.0
		III		5.7		5.5		5.5		5.0
		IV		5.8		5.9		5.6		5.0
	1990	I		6.1		6.2		5.6		5.2
		II		6.3				5.6		5.4
		III		6.4				5.5		
		IV		6.6				5.5		
	1988	Annual		5.5		5.5		5.5		5.5
	1989	Annual		5.6		5.5		5.5		5.0
	1990	Annual		6.3				5.6		5.3

Notes: [1]Based on revised third quarter data.

ECONOMIC FORECASTS (continued)

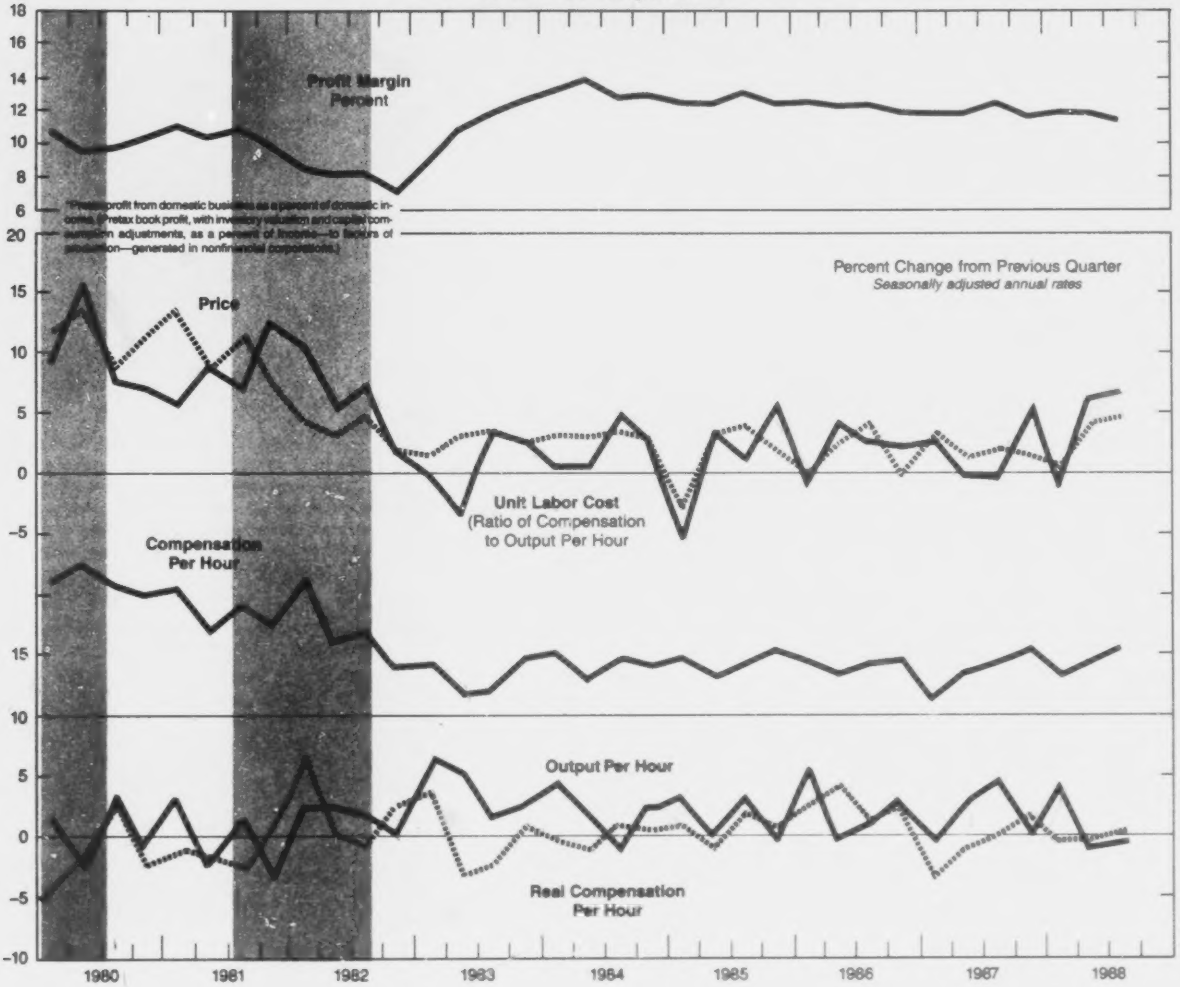
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Nov., 1988		*Nov., 1988*		*Nov., 1988*		*Nov., 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4909.2	**7.3%**	**$4909.2**	**7.3%**	**$4909.2**	**7.3%**	**$4909.2**	**7.3%**	**III**	**1988**	**Actual**
4988.0	6.6	4998.6	7.5	4988.4	6.6	4994.4	7.1	IV		Forecast
5120.0	11.0	5118.1	9.9	5086.3	8.1	5097.0	8.5	I	1989	
5195.0	6.0	5191.5	5.9	5146.0	4.8	5175.4	6.3	II		
5244.0	3.8	5259.0	5.3	5209.3	5.0	5258.2	6.6	III		
5280.0	2.8	5327.8	5.3	5274.7	5.1	5340.1	6.4	IV		
5327.0	3.6	5421.5	7.2	5348.8	5.7	5427.2	6.7	I	1990	
5400.0	5.6	5502.1	6.1	5427.2	6.0	5518.7	6.9	II		
5516 0	8.9	5583.6	6.1	5524.8	7.4	5613.3	7.0	III		
5613.0	7.2	5672.7	6.5	5626.3	7.6	5709.4	7.0	IV		
4861.4	7.4	4864.0	7.5	4861.5	7.4	4863.0	7.4	Annual	1988	
5209.8	7.2	5224.1	7.4	5179.1	6.5	5217.7	7.3	Annual	1989	
5464.0	4.9	5545.0	6.1	5481.8	5.8	5567.2	6.7	Annual	1990	
								Gross National Product Billions of Constant (1982) Dollars		
$4010.9	**2.6%**	**$4010.9**	**2.6%**	**$4010.9**	**2.6%**	**$4010.9**	**2.6%**	**III**	**1988**	**Actual**
4025.8	1.5	4032.1	2.1	4033.0	2.2	4040.0	2.9	IV		Forecast
4079.6	5.5	4083.7	5.2	4082.1	5.0	4076.0	3.6	I	1989	
4087.3	0.8	4103.6	2.0	4089.0	0.7	4092.2	1.6	II		
4074.4	−1.3	4122.9	1.9	4096.4	0.7	4112.8	2.0	III		
4055.3	−1.9	4145.0	2.2	4109.4	1.3	4137.9	2.5	IV		
4047.9	−0.7	4169.1	2.3	4122.0	1.2	4156.1	1.8	I	1990	
4060.2	1.2	4191.0	2.1	4142.7	2.0	4181.0	2.4	II		
4098.1	3.8	4213.3	2.1	4177.4	3.4	4206.1	2.4	III		
4118.1	2.0	4240.0	2.6	4213.1	3.5	4234.5	2.7	IV		
3994.5	3.8	3996.1	3.9	3996.3	3.9	3998.1	3.9	Annual	1988	
4074.2	2.0	4113.8	2.9	4094.2	2.5	4104.7	2.7	Annual	1989	
4081.1	0.2	4203.4	2.2	4163.8	1.7	4194.4	2.2	Annual	1990	
								Gross National Product deflator Index, 1982 = 100		
122.4	**4.5%**	122.4	**4.5%**	122.4	**4.5%**	122.4	**4.5%**	III	1988	Actual
123.9	5.0	124.0	5.2	123.7	4.3	123.6	4.1	IV		Forecast
125.5	5.3	125.3	4.5	124.6	3.0	125.0	4.7	I	1989	
127.1	5.2	126.5	3.8	125.8	4.1	126.5	4.6	II		
128.7	5.1	127.6	3.3	127.2	4.3	127.8	4.4	III		
130.2	4.7	128.5	3.1	128.4	3.8	129.1	3.8	IV		
131.6	4.4	130.0	4.8	129.8	4.5	130.6	4.8	I	1990	
133.0	4.3	131.3	3.9	131.0	3.9	132.0	4.4	II		
134.6	4.9	132.5	3.8	132.3	3.9	133.5	4.5	III		
136.3	5.2	133.8	3.9	133.5	4.0	134.8	4.2	IV		
121.7	3.4	121.7	3.4	121.6	3.4	121.6	3.4	Annual	1988	
127.9	5.1	127.0	4.3	126.5	4.0	127.1	4.5	Annual	1989	
133.9	4.7	131.9	3.9	131.6	4.1	132.7	4.4	Annual	1990	
								Unemployment Rate		
	5.5%		**5.5%**		**5.5%**		**5.5%**	**III**	**1988**	**Actual**
	5.5		5.3		5.3		5.4	IV		Forecast
	5.5		5.3		5.4		5.3	I	1989	
	5.6		5.4		5.5		5.4	II		
	5.9		5.4		5.6		5.5	III		
	6.3		5.4		5.7		5.6	IV		
	6.4		5.4		5.8		5.7	I	1990	
	6.3		5.5		5.9		5.8	II		
	6.0		5.5		5.8		5.9	III		
	5.8		5.5		5.8		5.9	IV		
	5.5		5.5		5.5		5.5	Annual	1988	
	5.8		5.4		5.5		5.5	Annual	1989	
	6.1		5.5		5.8		5.8	Annual	1990	

CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

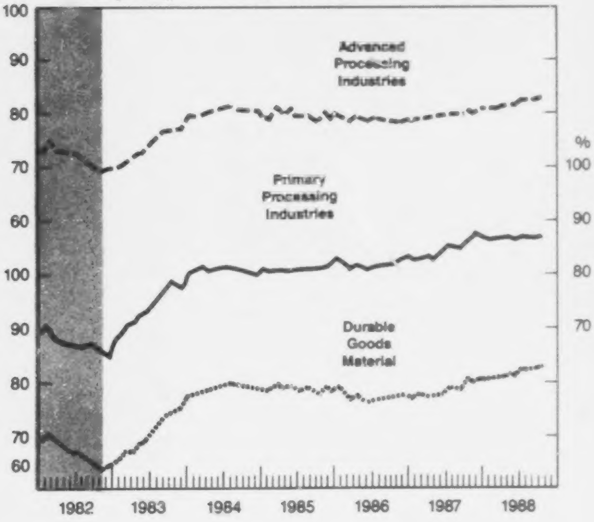
Key Determinants of Profit Margin

Nonfinancial Corporations

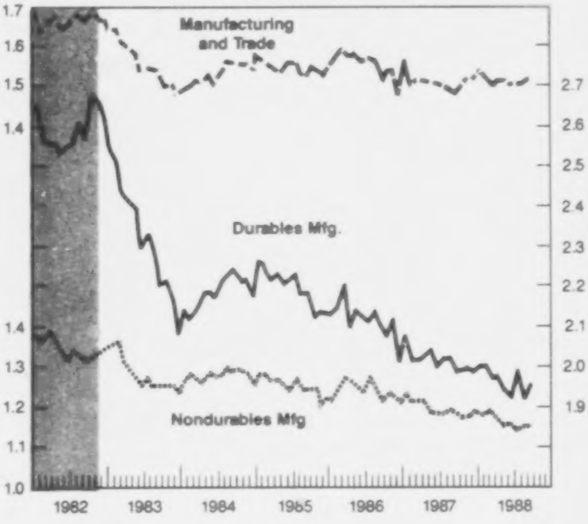


*Pretax profit from domestic business as a percent of domestic income (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



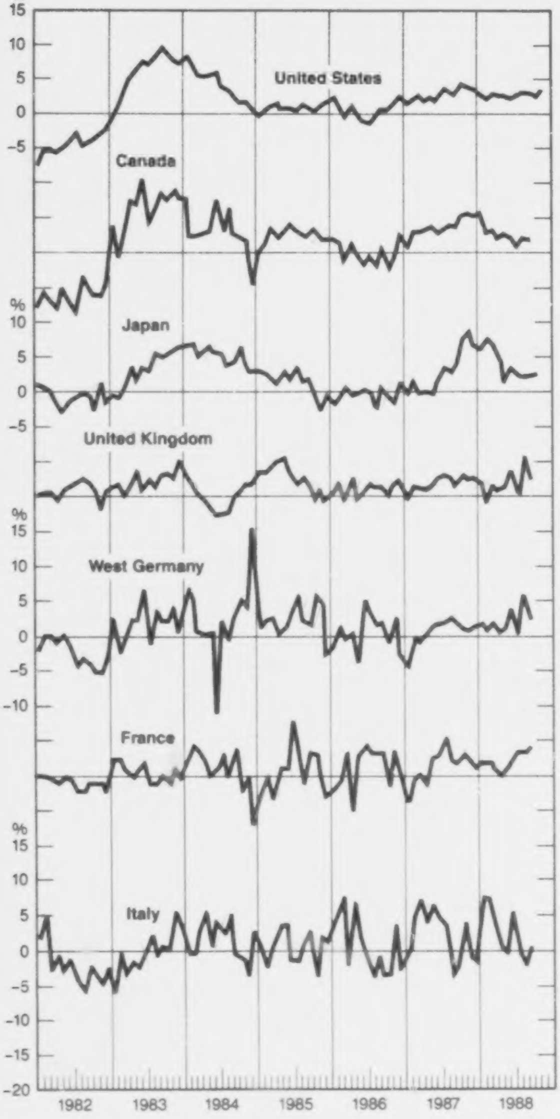
Inventory—Sales Ratios



Selected International Comparisons

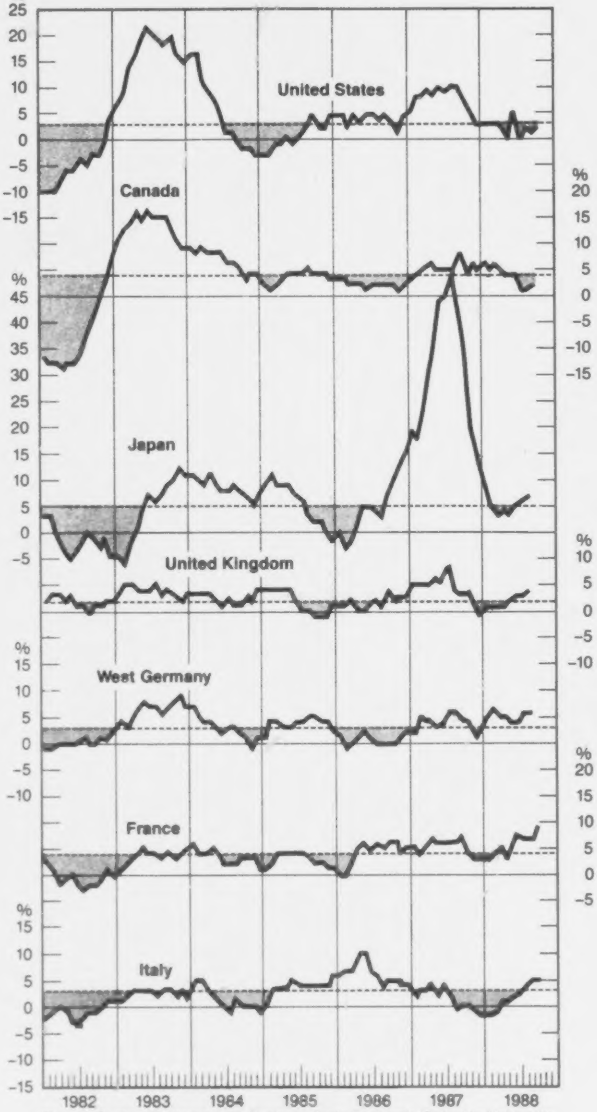
Industrial Production Indexes

Change Over Six Month Span



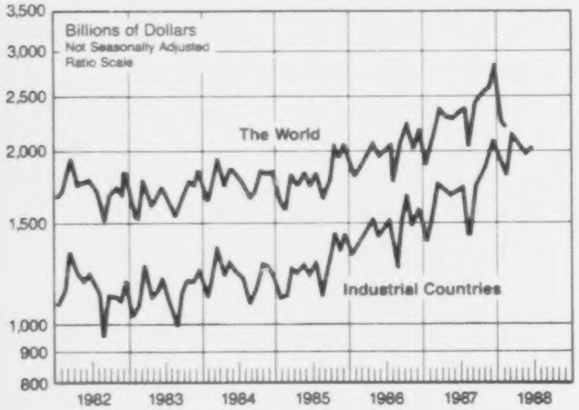
Leading Business Cycle Indexes

Change From Preceding Year

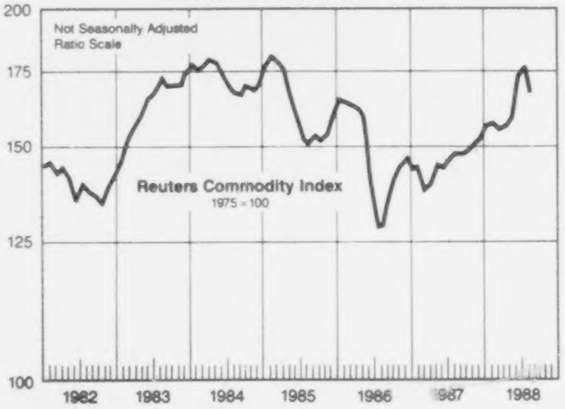


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports



Raw Materials Prices



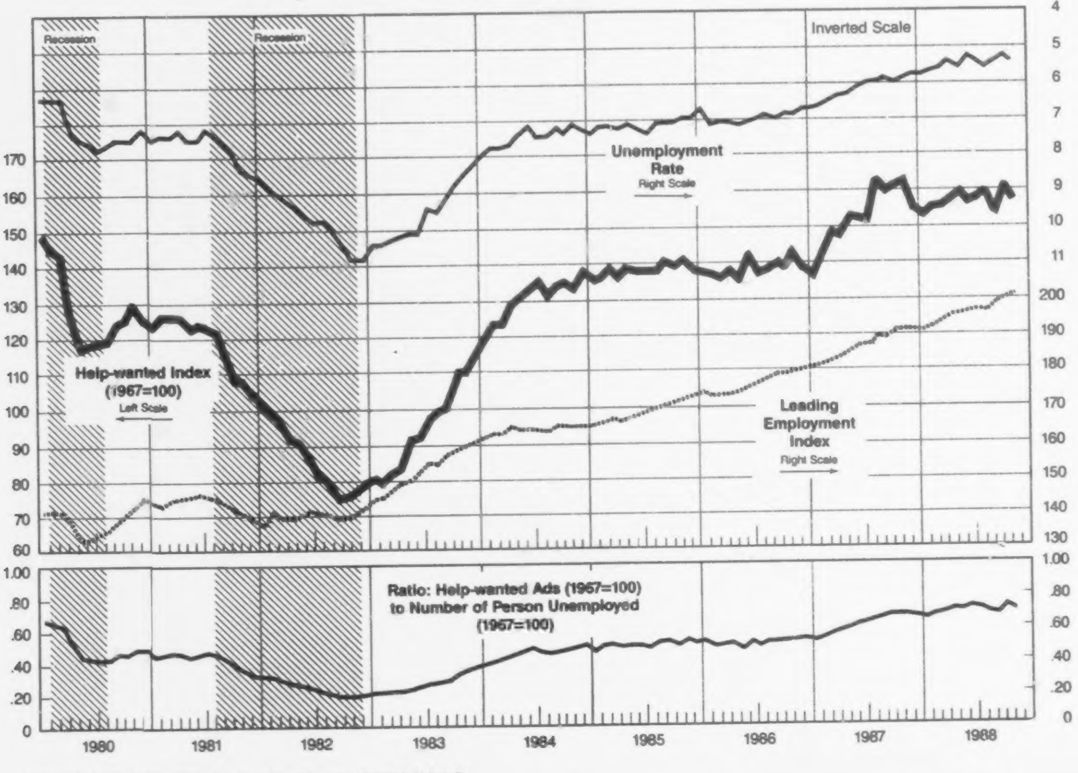
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1988 Oct.	1988 Sep.	1988 Aug.	1987 Oct.
National Index	160	153	160	161
New England	141	141	145	178
Boston	136	133	143	178
Hartford	152	149	152	189
Providence	151	159	147	170
Middle Atlantic	88	85	89	95
Albany	219	239	235	311
Allentown	376	395	397	382
New York	58	56	59	66
Philadelphia	79	68	73	81
Pittsburgh	101	100	105	93
Rochester	112	91	104	103
Syracuse	172	171	170	152
East North Central	110	105	110	105r
Chicago	110	110	117	113r
Cincinnati	175	179	173	165
Cleveland	80	71	77	69
Columbus	183	171	189	185
Dayton	98	92	94	90
Detroit	65	58	61	57
Gary	207	197	198	183
Indianapolis	132	129	136	115
Milwaukee	95	88	85	96r
Toledo	144	140	146	131
West North Central	105	94	102	98
Kansas City	132	118	139	141
Minneapolis	96	86	96	89
Omaha	180	168	158	150r
St. Louis	78	68	70	68
South Atlantic	218	211r	221r	228r
Atlanta	267	256	268	279
Baltimore	273	266r	269	280
Charlotte	212	207	215	208r
Jacksonville	225	231	243	226
Miami	177	172	180	177r
Richmond	154	139	154	162
Washington, D.C.	N.A.	180r	194r	206
East South Central	193	189	196	188
Birmingham	195	196	201	179
Knoxville	337	322	340	297
Louisville	N.A.	107	107	98
Memphis	155	140	150	150
Nashville	250	257	266	285r
West South Central	181	174	180	175
Dallas	147	145	154	151
Houston	262	255	262	256
New Orleans	129	126	126	119
Oklahoma City	124	116	123	116
San Antonio	157	142	141	141
Tulsa	156	145	150	140
Mountain	319	304	311	322
Denver	225	202	213	218
Phoenix	406	401	404	450
Salt Lake City	378	366	371	342
Pacific	269	250	261	256
Los Angeles	178	165	180	172
Sacramento	524	522	497	488
San Bernadino	N.A.	261	311	322
San Diego	675	571	601	591
San Francisco	269	262	261	269
Seattle	284	267	265	246
Percentage of papers with rising volume	86	20	45r	73
Unemployment rate	5.3	5.4	5.6	6

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* [illegible]w York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7	116.9r	113.1p	

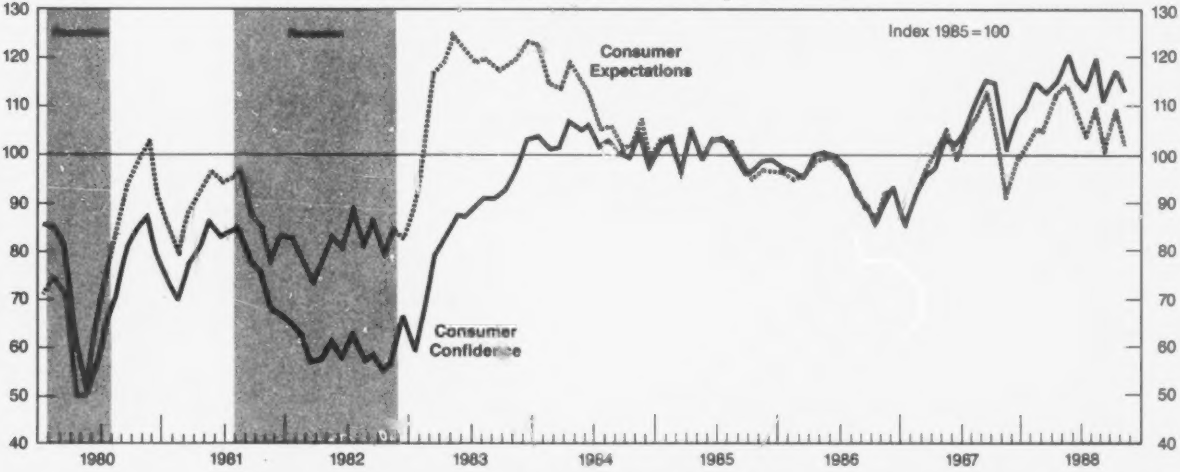
Expectations Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1	109.3r	102p	

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

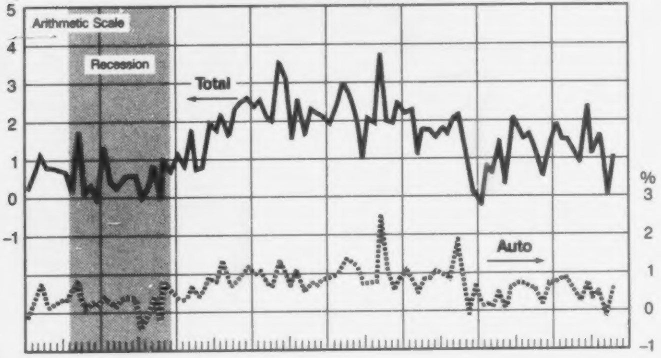
	1986	1987				1988		Percent Change From Previous Year Actual	Percent Change From Previous Year Estimate
	IV-86	I-87	II-87	III-87	IV-87	I-88(r)	II-88(p)	1987	1988
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	20.097	21.441	32.257	29.561	35.909	30.846	39.682	31%	23%
Capital expenditures	23.299	20.801	25.933	27.381	29.820	29.412	31.469	11	26
Change in appropriations backlog*	−10.990	−0.550	5.460	−0.080	3.510	0.650	7.840		
Durable Goods									
New appropriations	10.807	9.746	16.515	17.208	20.245	14.310	18.442	55	20
Capital expenditures	12.915	11.124	14.006	13.970	16.037	15.780	16.368	17	26
Change in appropriations backlog*	−4.140	−2.070	2.310	2.930	3.810	−1.720	2.530		
Nondurable Goods									
New appropriations	11.290	11.695	15.742	12.353	15.664	16.536	21.240	24	25
Capital expenditures	10.384	9.677	11.927	13.411	13.783	13.632	15.101	6	26
Change in appropriations backlog*	−6.853	1.520	3.160	−3.010	−0.300	2.590	5.310		
ELECTRIC & GAS UTILITIES									
New appropriations	5.468r	6.528r	5.605r	5.174r	6.286r	8.083	4.439		
Capital expenditures	6.114r	7.662r	7.072r	7.771r	6.590r	6.857	6.620		
Change in appropriations backlog*	−1.185r	−0.720r	−1.610r	−2.840r	−0.430r	1.235	−2.630		

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

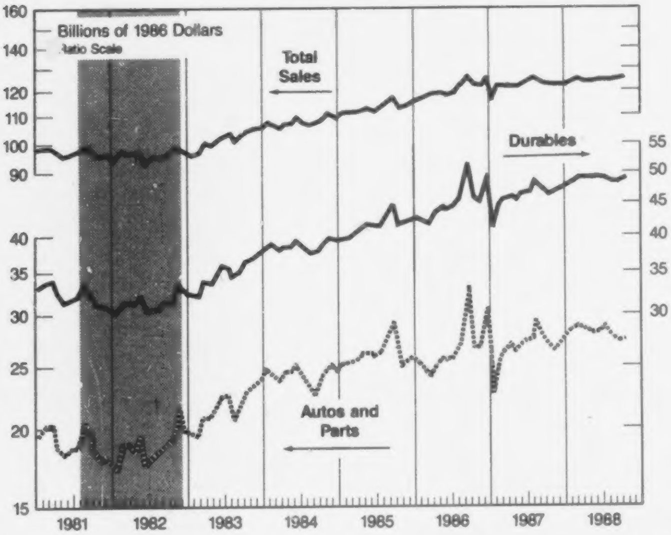
r—revised p—preliminary

* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



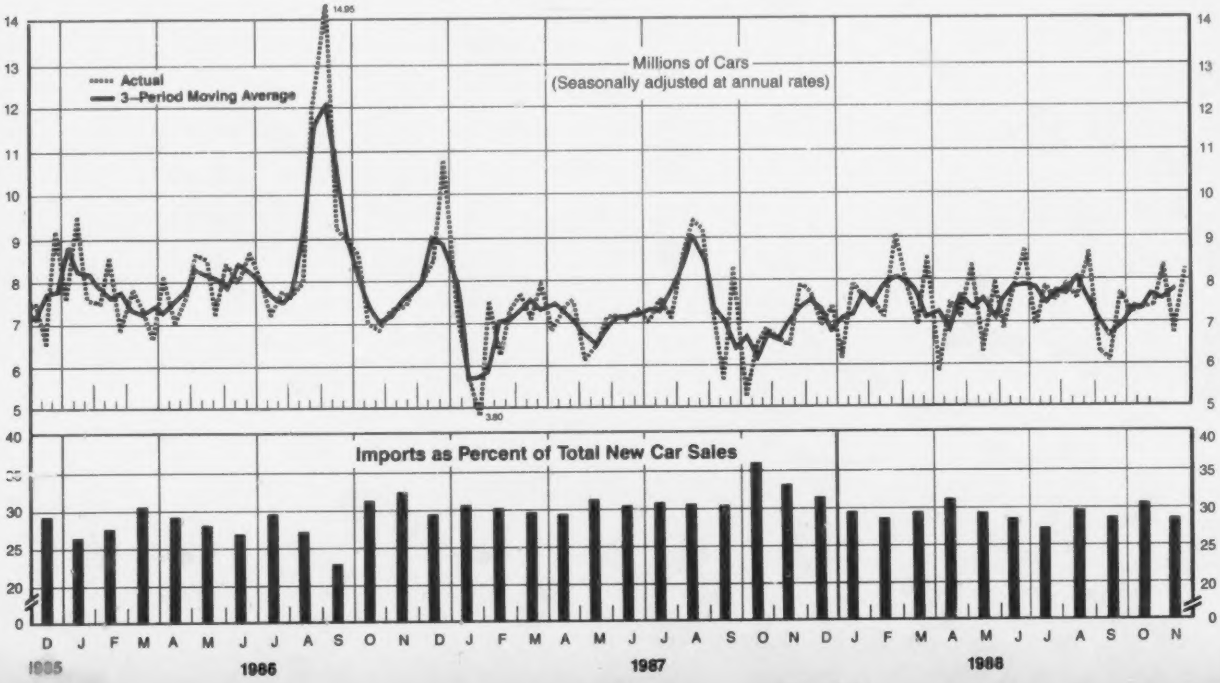
CONFERENCE BOARD ESTIMATES OF N[illegible] AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	6.94
	21-31	8.52	6.69	7.99	8.50
April:	1-10	7.87	8.09	6.87	5.82
	11-20	9.24	7.07	7.35	7.45
	21-30	8.03	7.55	7.57	7.04
May:	1-10	7.91	8.63	6.17	8.37
	11-20	8.76	8.56	6.43	6.31
	21-31	8.09	7.22	7.08	7.99
June:	1-10	8.33	8.40	7.14	6.81
	11-20	7.66	8.00	7.10	7.97
	21-30	7.08	8.60	7.27	8.70
July:	1-10	7.38	8.04	7.04	6.91
	11-20	7.75	7.15	7.54	7.82
	21-31	7.38	7.77	7.11	7.46
August:	1-10	7.11	7.63	8.55	7.93
	11-20	8.06	7.95	9.32	7.59
	21-31	13.41	11.80	9.15	8.60
September:	1-10	10.93	14.95	7.20	6.31
	11-20	9.10	9.25	5.71	6.08
	21-30	10.69	8.91	8.29	7.65
October:	1-10	7.01	8.60	5.25	7.20
	11-20	6.84	7.00	6.47	7.37
	21-31	7.32	6.88	6.86	7.38
November:	1-10	7.04	7.26	6.68	8.35
	11-20	6.88	7.39	6.44	6.70
	21-30	7.31	7.69	7.88	8.21
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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Statistical Reference Index
Acquisitions
4520 East West Highway - Suite 800
Bethesda, MD 20814

STATISTICAL BULLETIN

Highlights

- CONSUMER DEMAND BUILDS A NEW HEAD OF STEAM, AS INCOME GROWTH AND ATTITUDES STRENGTHEN; CAR SALES STILL RISING, BUT NOT HOME SALES.
- TIGHT LABOR MARKETS CONTINUE TO FUEL INFLATION CONCERN.
- VERY STRONG INDUSTRIAL GROWTH PERSISTS, DESPITE SLOWDOWN IN EXPORTS AND NEW ORDERS.
- ON THE INFLATION WATCH: PRESSURE BUILDS BUT THE PROGNOSIS REMAINS: IF THE ECONOMY COOLS IN 1989, SO WILL INFLATION WORRIES.
- OUTLOOK • NO CHANGE IN THE CONSENSUS: THE FIRST QUARTER OF 1989 WILL BE THE LAST QUARTER OF STRONG GROWTH. MODERATION THEREAFTER.

Volume 22, No. 1, January, 1989

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The U.S. economy may now be too strong for its own good. There is a solid case for a surge in inflation, if the growth rate does not slow. Food and raw material prices, and in particular, labor costs are all on the brink of rising. For capacity-tight industry to continue to expand sharply past the first few months of 1989 would run the risk of setting off major hikes in those prices.

In good measure, that reasoning explains why the Federal Reserve repeatedly raised interest rates in the second half of 1988. But the economy has not slowed. In fact, consumer demand may be catching yet a third wind. Should rates be jacked up further? Higher rates have already helped to generate a rally in the dollar at a time when the trade deficit has stopped improving. Another round of increases would make the dollar even stronger, but will the economy slow without them? The **Economic Forecasts** call for slowing growth, despite the stamina already shown by this long expansion, which has defied the odds repeatedly this decade.

DOMESTIC MARKET MONITOR

Sustained hiring, in both goods and services industries, continued through the end of 1988. The data also suggest, however, that tight labor market conditions eased somewhat. The average hourly pay rate, which rose sharply in August and September, has barely budged since. That partly reflects job growth in relatively low-paying fields. Indeed, one of the ironies of the very strong labor market is that adult white male job growth has been minimal in recent months. But the tailing off of hourly pay increases also suggests that employers are still finding qualified job applicants willing to take the salaries offered. Thus, the labor market is not yet forcing employers to bid against each other in escalating rounds.

Had the average hourly pay rate gone up in December, pressure for even higher interest rates might have intensified. But there is still concern about prolonged labor-market tightness feeding inflation. The 0.8% rise in service jobs, versus three months earlier, was essentially no change in trend. In contrast, the 1% jump in goods-producing jobs was substantially faster, underlining the strength in industrial conditions right now.

The consensus of the **Economic Forecasts** is for a rise in the unemployment rate to about 5.6% by the third quarter of 1989. The Conference Board's **Help-wanted Index**, a measure of labor demand remains flat, and initial unemployment claims have stopped falling. The latter bears further watching, as it could reflect a cooling off in industrial output.

INCOME: The employment gains of recent months are causing outsized gains in wage income. Wages in commodity-producing industry were 2.3% higher in November than three months earlier. Only a few months ago, it looked like wage growth was beginning to slow. Wages in the "other industry" category were 2.6% higher. Job gains in December were only a little lower than in November, indicating that major income gains probably continued that month.

Nonwage income growth was even stronger than the rise in wage income over the last three months. Rental income surged and shop-keepers' and interest income, as well as dividends, rose sharply. Consumers not only had more purchasing power on hand, but also resorted to buying on credit. Demand for installment loans shot up in October and November, after a long period of subdued activity. There was a rise in auto loans, reflecting a modest pickup in sales. But the real story was renewed use of credit cards.

In November, fatter pay checks and reports of continued strong employment gains caused consumer attitudes to return to the very optimistic levels of last summer. The Conference Board's **Consumer Confidence Index** rose to 119.8 (1985 = 100) in December, the same level as in August. The **Expectations Component**, however, stood at 105.3 in December versus 109.4 in August. The latter indicates that even though consumers rank current conditions as "as good as it gets," they anticipate some cooling off within the next six months, as do the professional forecasters.

SPENDING: Given the pickup in consumer income, attitudes, and willingness to borrow, it is clear that buying is now more bullish. Retail sales, except cars, were 1.7% higher in December than three months earlier and may have risen even more strongly in December. The question is: How long will consumer spending stay this strong? Forecasters, as well as consumers, expect it to dissipate somewhat in early 1989.

The strongest area of consumer spending right now is car buying. In December, new domestic **Automobile Sales** were at a seasonally adjusted 8.2 million annual rate, which only brings the sales volume back to August's level. With auto loan rates moving higher, that selling pace is unlikely to be sustained in early 1989.

CONSTRUCTION: One area where the impact of rising interest rates is being felt is home buying, which, like car buying, had been recovering in the Fall of 1988. Sales of new single-family homes slumped in November, down to the lowest level since winter, 1988. With mortgage rates rising, recovery does not appear likely.

Ken Goldstein, Editor

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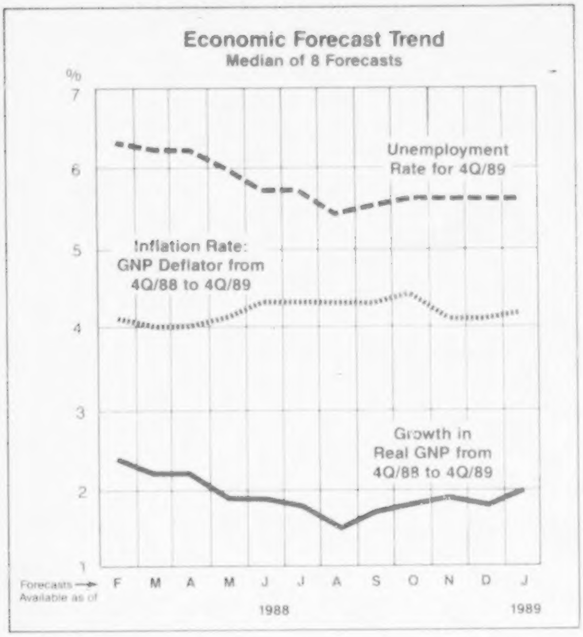


Nonresidential construction also faltered in November, but may reverse. In November, office and commercial building, which had been rising, fell, while industrial building rose. Construction employment and hours worked increased in December; added workers were probably put on nonresidential construction crews.

PRODUCTION: The strength of the economy is now centered in rising industrial activity, but there are signs that there may be slower growth in the months ahead. Industrial output was 1% higher in November than three months ago, despite a 0.3% decline in defense- and space-related output. Strong consumer income and spending convinced manufacturers to step up the production of consumer durables by a substantial 2.5 percent. The output of business equipment was 0.7% higher.

The rise in jobs and hours worked in manufacturing in December indicate that production schedules remain full steam ahead. But with capacity utilization rates now in the 83%-85% range, and rising, it is feared that production requirements will outstrip productive capacity, and, in the process, put upward pressure on prices—unless the pace cools.

In contrast, the most recent Conference Board survey on business sentiment showed that executives expect their industries and the economy in general to weaken over the first half of 1989. Other numbers also point to some cooling off over the next few months. New orders for durables, except for defense-related materiel, were 0.6% lower in November than three months earlier. Moreover, the ratio of new orders to shipments, one measure of how tight conditions are, declined fairly sharply.

INVENTORY: A slower rise in industrial production would come at a time of relatively lean inventory. Despite steady increases in stocks, the Inventory-to-Sales ratios have not changed very much over the last two years. The classic scenario of slower sales, leading to unintended inventory, then, is unlikely to develop.

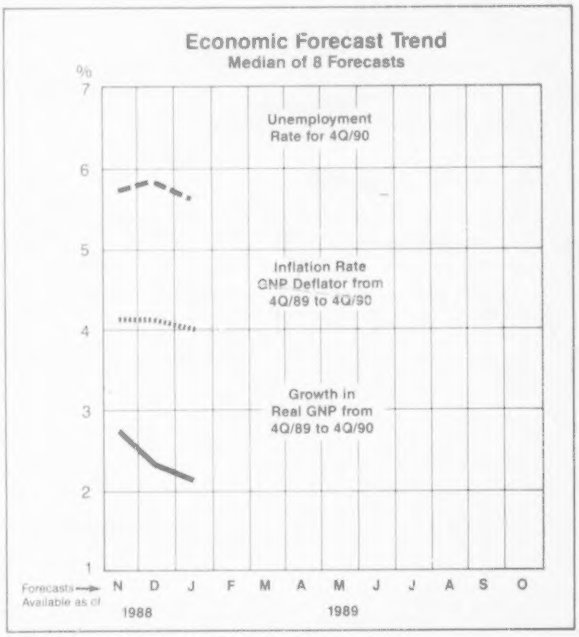
INFLATION: The **Economic Forecasts** continue to suggest that growth will slow enough, and in time, to keep the lid on inflation. On this front, the good news includes weaker gains in average hourly pay and the absence of a strong increase in oil prices in the wake of the latest OPEC agreement. The bad news includes the possibility that both situations could turn around. Moreover, other commodity prices have started to rise: After falling 5.3% in November, raw prices for metals rose 8.9% in December. Farm prices rose 0.7% in both those months. Wholesale prices for crude materials, except food and energy, rose 1% in December.

INTERNATIONAL MONITOR

The domestic economy is no longer benefiting from improving trade conditions. Imports, for example, are no longer declining. In fact, imports of manufacturing goods rose 7.4% in October, even though purchases of aircraft and parts fell sharply. Higher imports of telecommunications and other office equipment boosted imports and no doubt held down the rise in new orders for domestic durable goods. Moreover, with consumer spending on the rise again, it is likely that import growth continued in November and, perhaps, in December as well.

The other side of the coin is no rise in manufactured goods exports in October, even with a whopping rise in foreign purchases of aircraft and parts. Even if exports began to rise again in November, the data suggest that earlier outsized gains in exports are over for now. That means less stimulus for domestic producers.

Ken Goldstein
January 12, 1989

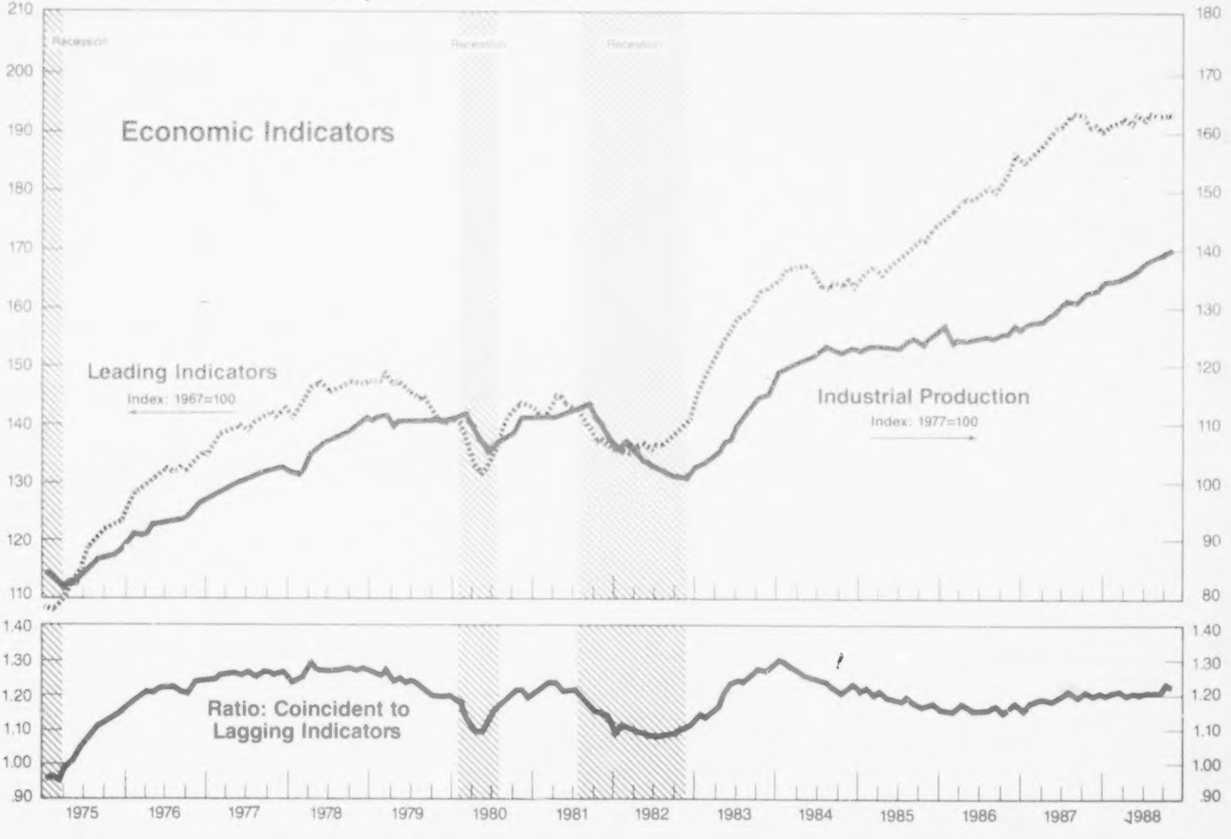


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Nov.		X		0.1%	1.6%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Nov.			X	– 9.9%	11.6%
New orders, nondefense capital goods (deflated)	Nov.			X	– 9.3%	14.7%
*New business formation	Nov.	X			2.4%	3.3%
*Housing permits	Nov.	X			3.6%	4.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Nov.	X			1.6%	3.7%
*Change in inventory, on hand & order (deflated)	Oct.	X			32.4%	–44.6%
Purchasing manager's buying policy	Dec.	X			2.0%	4.1%
*Vendor performance, reported slower deliveries	Nov.			X	–12.5%	–15.2%
Industrial raw materials prices	Dec.	X			3.3%	8.0%
*Change in sensitive material prices	Nov.			X	–125.0%	–112.6%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Nov.		X		– 0.3%	1.1%
Change in business loans	Nov.		X		80.7%	309.0%
*Change in credit outstanding	Oct.	X			0.0%	–14.3%
Change in consumer installment debt	Nov.		X		–15.9%	149.0%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q			X	– 0.7%	6.7%
*Common stock prices	Nov.			X	2.8%	10.6%
Marginal Employment Adjustments						
*Average workweek, mfg.	Dec.			X	– 0.2hr	0.0hr
*Initial unemployment claims (inverted)	Nov.			X	2.3%	0.7%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1987 Nov.	1988 Aug.	Sept.	Oct.	Nov.(e)
Principal Diffusion Index	60.3r	56.3r	56.1r	57.9r	54.6
Auxillary Diffusion Index	36.5r	40.9r	49.2r	56.0r	39.3
Industrial Group	62.7r	54.5r	55.1r	57.9r	53.1
Nonindustrial Group	57.9r	58.1r	57.1r	57.9r	56.2
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	69.2	58.1	59.4r	60.3r	61.1
Labor	61.3r	53.8r	57.6r	62.6r	55.1
Miscellaneous	56.4	50.6	42.3	42.9	35.9
Nonindustrial Subgroups					
Prices	63.5	42.9	43.6	44.2	37.2
Consumer	59.8	68.2	63.2	69.0	68.8
Building	44.9	55.8	55.1r	55.1r	54.5
Miscellaneous	61.1r	59.8r	61.1r	57.7r	57.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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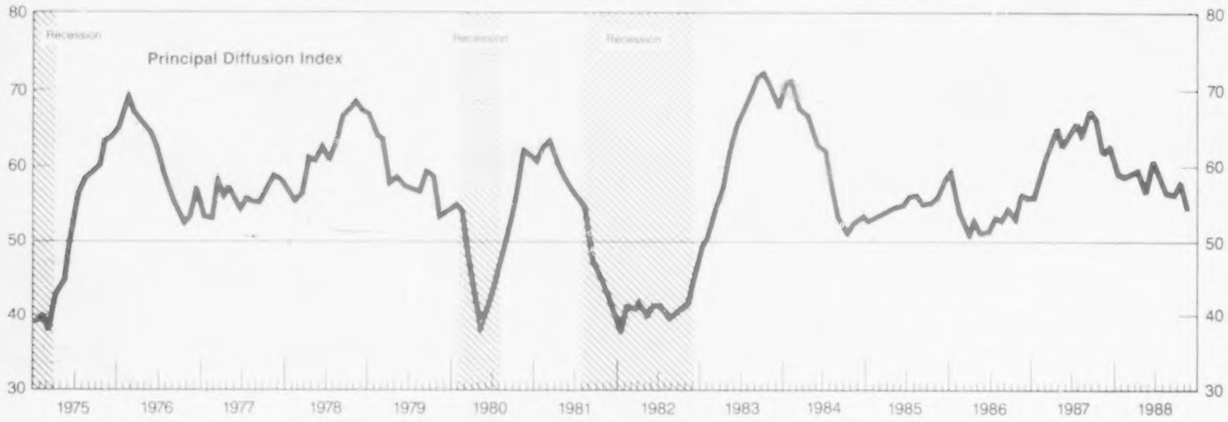
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985	*1986*				*1987*				*1988*		
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
	Score (scale 0-100)											
Measure of Business Confidence	55	61	61	50	51	55	55	59	47	51	58	56
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	53	63	61	44	50	56	55	62	50	49	64	65
2. Expectations for Economy, Six Months Ahead	56	62	62	52	51	54	53	56	43	50	54	51
3. Expectations for Own Industry, Six Months Ahead	56	59	60	54	53	56	56	58	48	54	55	53

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Dec., 1988*		*Dec., 1988*		*Dec., 1988*		*Dec., 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**III**	**$4909.0**	**7.3%**	**$4909.0**	**7.3%**	**$4909.0**	**7.3%**	**$4909.0**	**7.3%**
Forecast	1988	IV	4986.1	6.4	4990.6	6.8	4987.5	6.6	4985.1	6.3
	1989	I	5082.6	8.0	5112.5	10.1	5060.3	6.0	5097.5	9.3
		II	5147.7	5.2	5198.8	6.9	5135.8	6.1	5183.9	7.0
		III	5192.7	3.5	5250.5	4.0	5210.4	5.9	5272.1	7.0
		IV	5240.8	3.8	5296.7	3.6	5285.5	5.9	5351.2	6.1
	1990	I	5296.0	4.3	5373.7	5.9	5358.1	5.6	5424.2	5.6
		II	5364.7	5.3			5442.0	6.4	5472.6	3.6
		III	5461.5	7.4			5526.4	6.3	5535.0	4.7
		IV	5566.2	7.9			5615.2	6.6	5632.7	7.2
	1988	Annual	4860.9	7.4	4862.0	7.4	4861.2	7.4	4860.6	7.4
	1989	Annual	5166.0	6.3	5214.6	7.3	5098.5	4.9	5226.2	7.5
	1990	Annual	5422.1	5.0			5485.4	7.6	5307.9	1.6
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**III**	**$4009.4**	**2.5%**	**$4009.4**	**2.5**	**$4009.4**	**2.5%**	**$4009.4**	**2.5%**
Forecast	1988	IV	4033.9	2.5	4031.6	2.2	4038.5	2.9	4030.0	2.1
	1989	I	4080.1	4.7	4081.5	5.0	4058.0	1.9	4078.0	4.9
		II	4088.6	0.8	4099.3	1.8	4076.0	1.8	4104.4	2.6
		III	4078.4	–1.0	4095.7	–0.4	4093.0	1.7	4125.3	2.1
		IV	4075.0	–0.3	4090.0	–0.6	4110.0	1.7	4138.6	1.3
	1990	I	4071.4	–0.4	4103.5	1.3	4128.0	1.8	4143.8	0.5
		II	4085.4	1.4			4151.0	2.2	4130.3	–1.3
		III	4120.5	3.5			4174.0	2.2	4134.4	0.4
		IV	4161.5	4.0			4203.0	2.8	4163.1	2.8
	1988	Annual	3996.2	3.9	3995.6	3.9	3997.3	3.9	3995.2	3.9
	1989	Annual	4080.5	2.1	4091.6	2.4	4084.3	2.2	4111.6	2.9
	1990	Annual	4109.7	0.7			4164.0	2.0	4128.0	0.4
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**III**	**122.4**	**4.7%**	**122.4**	**4.7%**	**122.4**	**4.7%**	**122.4**	**4.7%**
Forecast		IV	123.6	3.9	123.8	4.5	123.5	3.5	123.7	4.2
	1989	I	124.6	3.2	125.3	4.8	124.7	3.9	125.0	4.3
		II	125.9	4.4	126.8	5.1	126.0	4.2	126.3	4.2
		III	127.3	4.6	128.2	4.4	127.3	4.2	127.8	4.8
		IV	128.6	4.1	129.5	4.1	128.6	4.2	129.3	4.8
	1990	I	130.1	4.6	131.0	4.6	129.8	3.8	130.9	5.0
		II	131.3	3.9			131.1	4.1	132.5	5.0
		III	132.5	3.8			132.4	4.0	133.9	4.3
		IV	133.8	3.7			133.6	3.7	135.3	4.2
	1988	Annual	121.6	3.4	121.7	3.4	121.6	3.4	121.7	3.4
	1989	Annual	126.6	4.1	127.4	4.7	126.7	4.2	127.1	4.5
	1990	Annual	131.9	4.2			131.7	4.0	128.6	1.2
Unemployment Rate										
Actual	**1988**	**III**		**5.5%**		**5.5%**		**5.5%**		**5.5%**
Forecast		IV		5.3		5.4		5.4		5.3
	1989	I		5.2		5.4		5.5		5.2
		II		5.2		5.3		5.6		5.0
		III		5.3		5.6		5.6		4.9
		IV		5.5		5.9		5.7		5.0
	1990	I		5.8		6.2		5.7		5.0
		II		6.0				5.6		5.2
		III		6.1				5.5		5.4
		IV		6.1				5.5		5.7
	1988	Annual		5.5		5.5		5.5		5.5
	1989	Annual		5.3		5.6		5.6		5.0
	1990	Annual		6.0				5.6		5.3

Notes: [1] Based on revised (second revision) third quarter data.
[2] Based on revised third quarter data.

ECONOMIC FORECASTS (continued)

The Conference Board[2]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Nov., 1988		Dec., 1988		Dec., 1988		Dec., 1988		Date of Forecast		
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Billions of Current Dollars		
		$4909.0	7.3%	$4909.0	7.3%	$4909.0	7.3%	III	1988	Actual
4988.0	6.6	4994.2	7.1	4994.5	7.2	4991.6	6.9	IV		Forecast
5120.0	11.0	5113.0	9.9	5092.4	8.1	5095.7	8.6	I	1989	
5195.0	6.0	5190.6	6.2	5146.2	4.3	5174.4	6.3	II		
5244.0	3.8	5259.0	5.4	5212.9	5.3	5253.8	6.3	III		
5280.0	2.8	5324.0	5.0	5286.2	5.7	5343.2	7.0	IV		
5327.0	3.6	5412.2	6.8	5363.0	5.9	5429.4	6.6	I	1990	
5400.0	5.6	5487.7	5.7	5441.4	6.0	5520.6	6.9	II		
5516.0	8.9	5565.1	5.8	5534.6	7.0	5616.9	7.2	III		
5613.0	7.2	5651.6	6.4	5637.7	7.7	5714.7	7.1	IV		
4861.4	7.4	4862.9	7.4	4863.0	7.4	4862.2	7.4	Annual	1988	
5209.8	7.2	5221.7	7.4	5184.4	6.6	5216.8	7.3	Annual	1989	
5464.0	4.9	5529.2	5.9	5494.2	6.0	5570.4	6.8	Annual	1990	
								Gross National Product Billions of Constant (1982) Dollars		
		$4009.4	2.5%	$4009.4	2.5%	$4009.4	2.5%	III	1988	Actual
4025.8	1.5	4030.3	2.1	4032.9	2.4	4035.6	2.6	IV		Forecast
4079.6	5.5	4081.9	5.2	4082.9	5.1	4074.2	3.9	I	1989	
4087.3	0.8	4102.9	2.1	4088.9	0.6	4093.2	1.9	II		
4074.4	−1.3	4122.4	1.9	4101.8	1.3	4113.1	2.0	III		
4055.3	−1.9	4142.2	1.9	4120.5	1.8	4136.4	2.3	IV		
4047.9	−0.7	4163.4	2.1	4134.6	1.4	4155.9	1.9	I	1990	
4060.2	1.2	4182.8	1.9	4155.2	2.0	4181.2	2.5	II		
4098.1	3.8	4203.5	2.0	4186.8	3.1	4207.5	2.5	III		
4118.1	2.0	4229.9	2.5	4223.7	3.6	4236.3	2.8	IV		
3994.5	3.8	3995.3	3.9	3995.9	3.9	3996.6	3.9	Annual	1988	
4074.2	2.0	4112.3	2.9	4098.5	2.6	4104.2	2.7	Annual	1989	
4081.1	0.2	4194.9	2.0	4175.1	1.9	4195.2	2.2	Annual	1990	
								Gross National Product deflator Index, 1982 = 100		
		122.4	4.7%	122.4	4.7%	122.4	4.7%	III	1988	Actual
123.9	5.0	123.9	4.9	123.8	4.7	123.7	4.2	IV		Forecast
125.5	5.3	125.3	4.4	124.7	2.9	125.1	4.5	I	1989	
127.1	5.2	126.5	4.1	125.9	3.7	126.4	4.4	II		
128.7	5.1	127.6	3.4	127.1	4.0	127.7	4.2	III		
130.2	4.7	128.5	3.0	128.3	3.8	129.2	4.6	IV		
131.6	4.4	130.0	4.6	129.7	4.5	130.6	4.6	I	1990	
133.0	4.3	131.2	3.8	131.0	3.9	132.0	4.3	II		
134.6	4.9	132.4	3.7	132.2	3.8	133.5	4.5	III		
136.3	5.2	133.6	3.7	133.5	3.9	134.9	4.3	IV		
121.7	3.4	121.7	3.4	121.7	3.4	121.6	3.4	Annual	1988	
127.9	5.1	127.0	4.3	126.5	3.9	127.1	4.5	Annual	1989	
133.9	4.7	131.8	3.8	131.6	4.0	132.8	4.5	Annual	1990	
								Unemployment Rate		
			5.5%		5.5%		5.5%	III	1988	Actual
	5.5%		5.3		5.3		5.4	IV		Forecast
	5.5		5.3		5.4		5.4	I	1989	
	5.6		5.3		5.5		5.5	II		
	5.9		5.3		5.6		5.6	III		
	6.3		5.3		5.6		5.7	IV		
	6.4		5.4		5.7		5.8	I	1990	
	6.3		5.5		5.8		5.8	II		
	6.0		5.5		5.7		5.9	III		
	5.8		5.6		5.7		5.8	IV		
	5.5		5.5		5.5		5.5	Annual	1988	
	5.8		5.3		5.5		5.6	Annual	1989	
	6.1		5.5		5.7		5.8	Annual	1990	

CBDB

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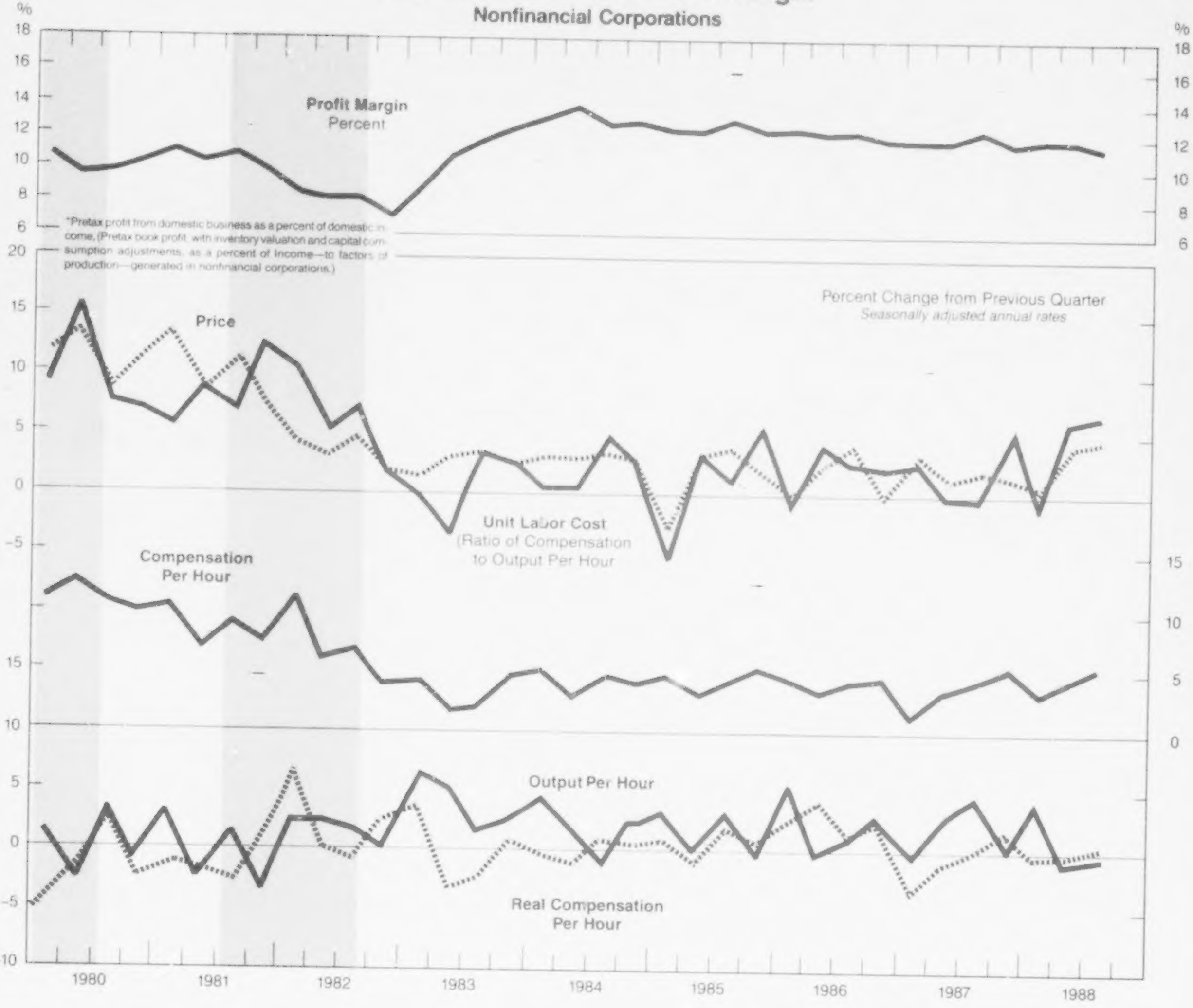
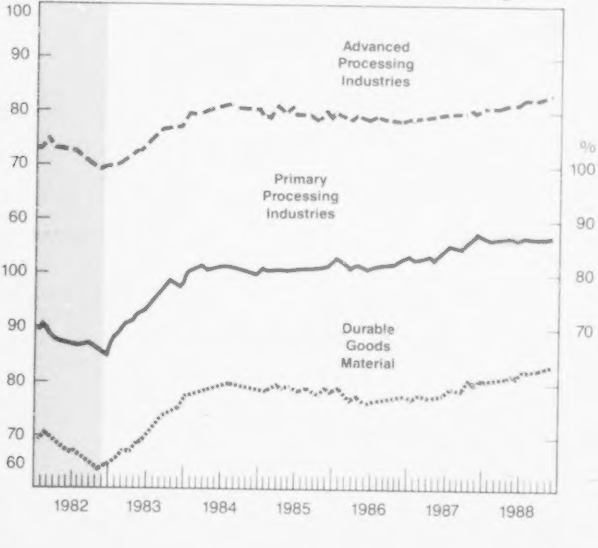
Key Determinants of Profit Margin

Nonfinancial Corporations

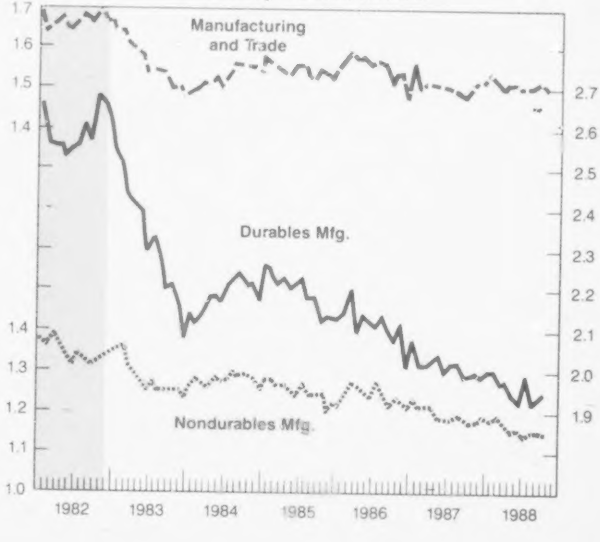


*Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



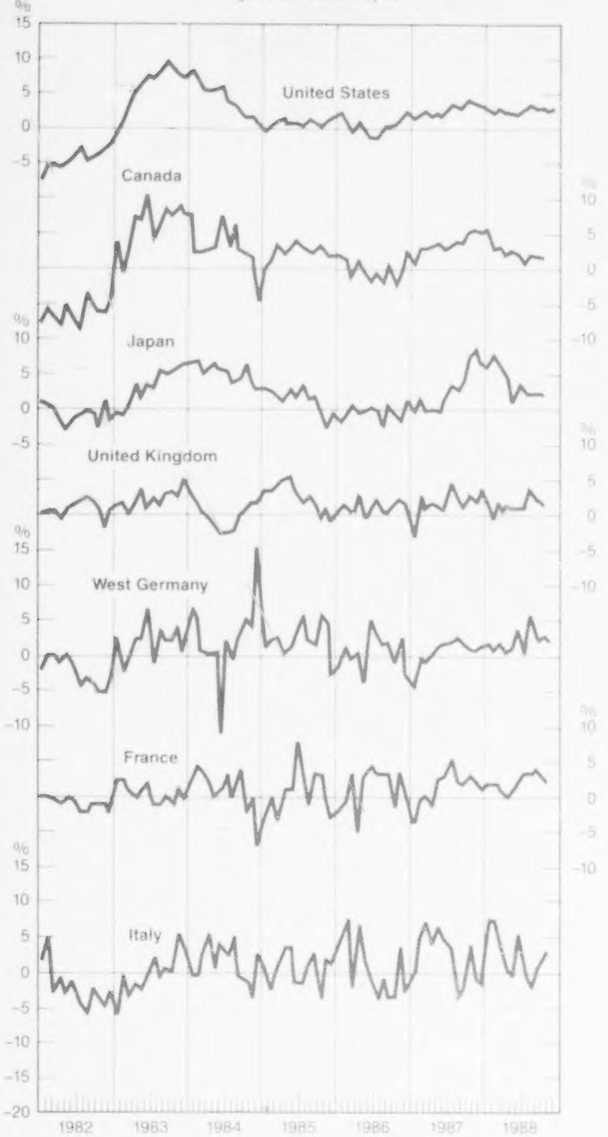
Inventory—Sales Ratios



Selected International Comparisons

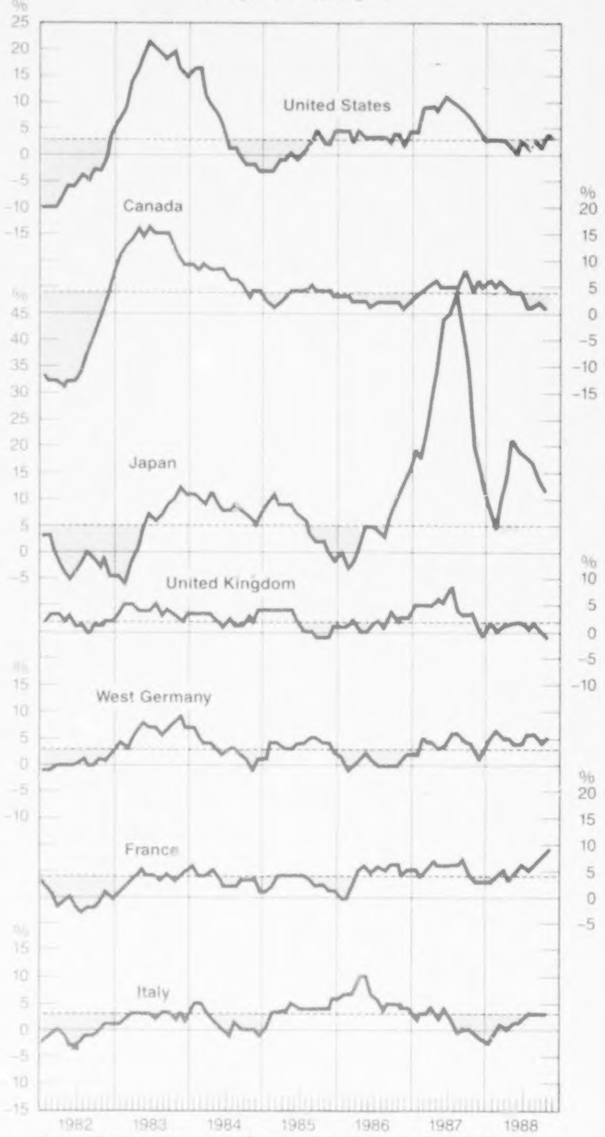
Industrial Production Indexes

Change Over Six Month Span



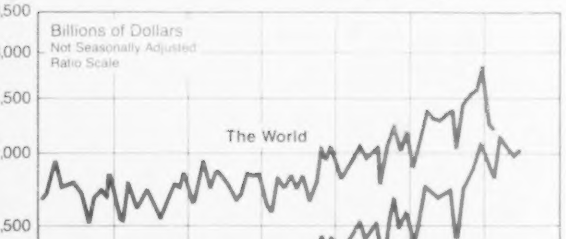
Leading Business Cycle Indexes

Change From Preceding Year

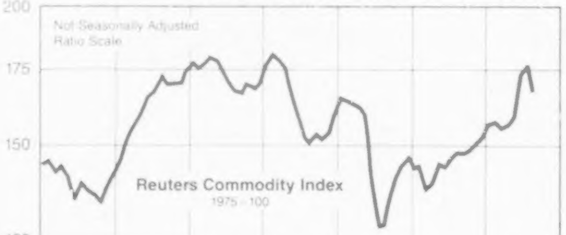


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports



Raw Materials Prices



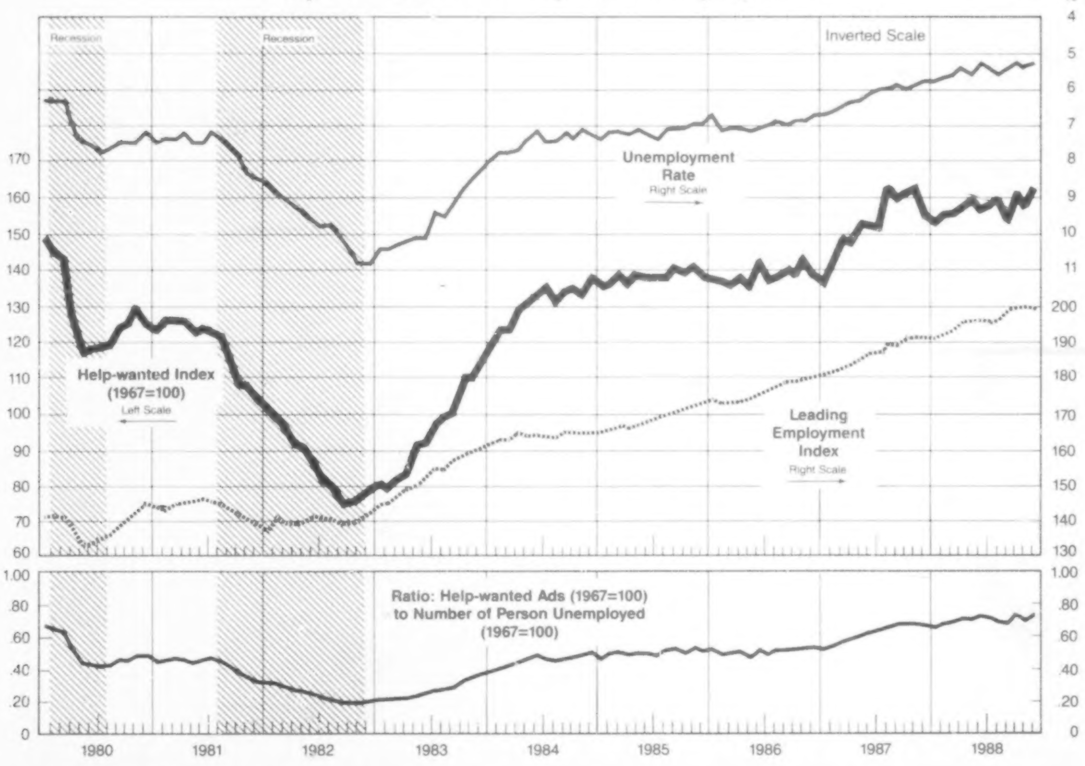
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

	1988			1987
Locality	**Nov.**	**Oct.**	**Sept.**	**Nov.**
National Index	157	161r	153	163
New England	136	141	141	182
Boston	128	136	133	182
Hartford	149	152	149	192
Providence	153	151	159	171
Middle Atlantic	84	88	85	100
Albany	208	219	239	413
Allentown	388	376	395	390
New York	55	58	56	66
Philadelphia	70	79	68	86
Pittsburgh	96	101	100	101
Rochester	105	112	91	98
Syracuse	169	172	171	150
East North Central	105	110	105	105
Chicago	105	110	110	115
Cincinnati	176	175	179	164
Cleveland	72	80	71	70
Columbus	169	183	171	185
Dayton	94	98	92	89
Detroit	60	65	58	59
Gary	198	207	197	174
Indianapolis	129	132	129	115
Milwaukee	101	95	88	89
Toledo	129	144	140	132
West North Central	98	105	94	105r
Kansas City	129	132	118	153
Minneapolis	89	96	86	95
Omaha	179	180	168	164r
St. Louis	67	78	68	71
South Atlantic	219	221r	211	228r
Atlanta	276	267	256	293
Baltimore	272	273	266	273
Charlotte	204	212	207	215r
Jacksonville	222	225	231	228
Miami	170	177	172	164
Richmond	130	154	139	163
Washington, D.C.	N.A.	196r	180	207
East South Central	175	193	189	178
Birmingham	176	195	196	174
Knoxville	321	337	322	306
Louisville	N.A.	N.A.	107	96
Memphis	134	155	140	143
Nashville	226	250	257	246
West South Central	186	181	174	182
Dallas	147	147	145	156
Houston	290	262	255	268
New Orleans	126	129	126	125
Oklahoma City	111	124	116	114
San Antonio	153	157	142	156
Tulsa	143	156	145	134
Mountain	337	319	304	336
Denver	216	225	202	210
Phoenix	460	406	401	481
Salt Lake City	399	378	366	375
Pacific	263	271r	250	254
Los Angeles	169	178	165	180
Sacramento	484	524	522	470
San Bernadino	340	318r	261	307
San Diego	666	675	571	569
San Francisco	262	269	262	252
Seattle	287	284	267	250
Percentage of papers with rising volume	22	86	20	59
Unemployment rate	5.4	5.3	5.4	5.9

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

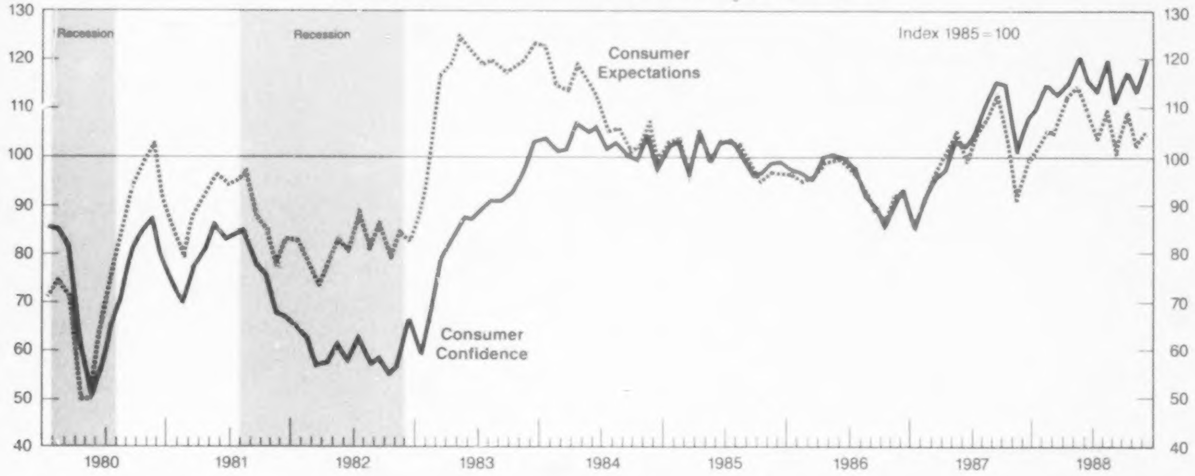
Consumer Confidence Index	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7	116.9	112.9r	119.8p
Expectations Index												
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.6	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1	109.3	102.0r	105.3p

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

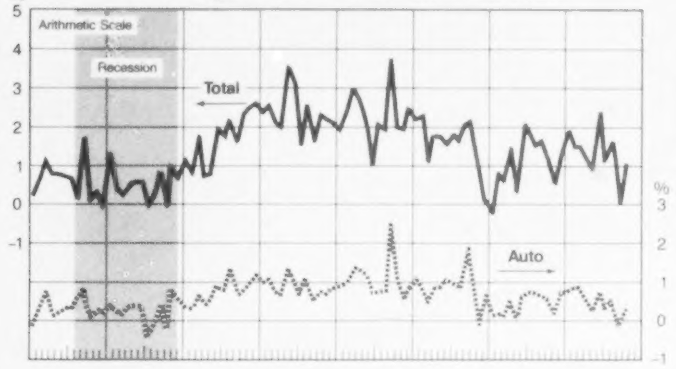
	1987				1988			Percent Change From Previous Year Actual	Percent Change From Previous Year Estimate
	I-87	II-87	III-87	IV-87	I-88	II-88(r)	III-88(p)	1988	1989
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	21.441	32.257	29.561	35.909	30.846	40.686	39.092	23%	5%
Capital expenditures	20.801	25.933	27.381	29.820	29.412	31.718	33.548	26	18
Change in appropriations backlog*	–0.550	5.460	0.080	3.510	0.650	8.760	5.090		
Durable Goods									
New appropriations	9.746	16.515	17.208	20.245	14.310	20.261	19.907	20	21
Capital expenditures	11.124	14.006	13.970	16.037	15.780	16.910	18.346	26	24
Change in appropriations backlog*	–2.070	2.310	2.930	3.810	–1.600	3.670	1.420		
Nondurable Goods									
New appropriations	11.695	15.742	12.353	15.664	16.536	20.425	19.185	25	–4
Capital expenditures	9.677	11.927	13.411	13.783	13.632	14.808	15.202	26	13
Change in appropriations backlog*	1.520	3.160	–3.010	–0.300	2.250	5.090	3.670		
ELECTRIC & GAS UTILITIES									
New appropriations	6.528	5.605	5.174	6.286	8.083	4.439			
Capital expenditures	7.662	7.072	7.771	6.590	6.857	6.620			
Change in appropriations backlog*	–0.720	–1.610	–2.840	–0.430	1.235	–2.630			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

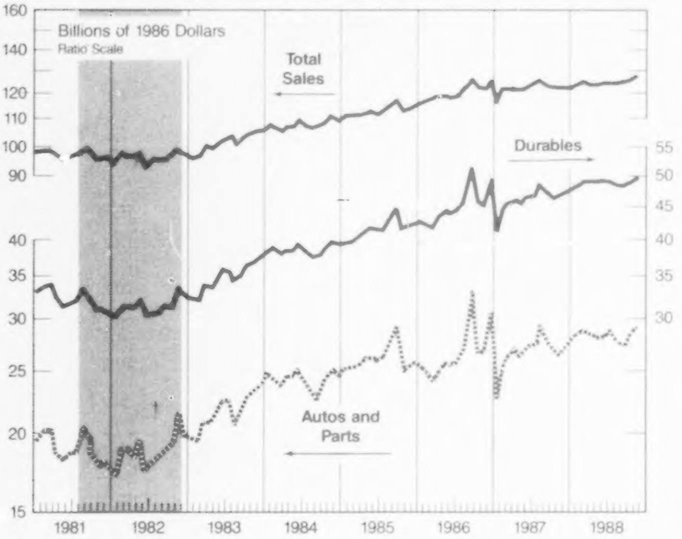
r—revised p—preliminary

* Change in Backlog = New Appropriations – (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



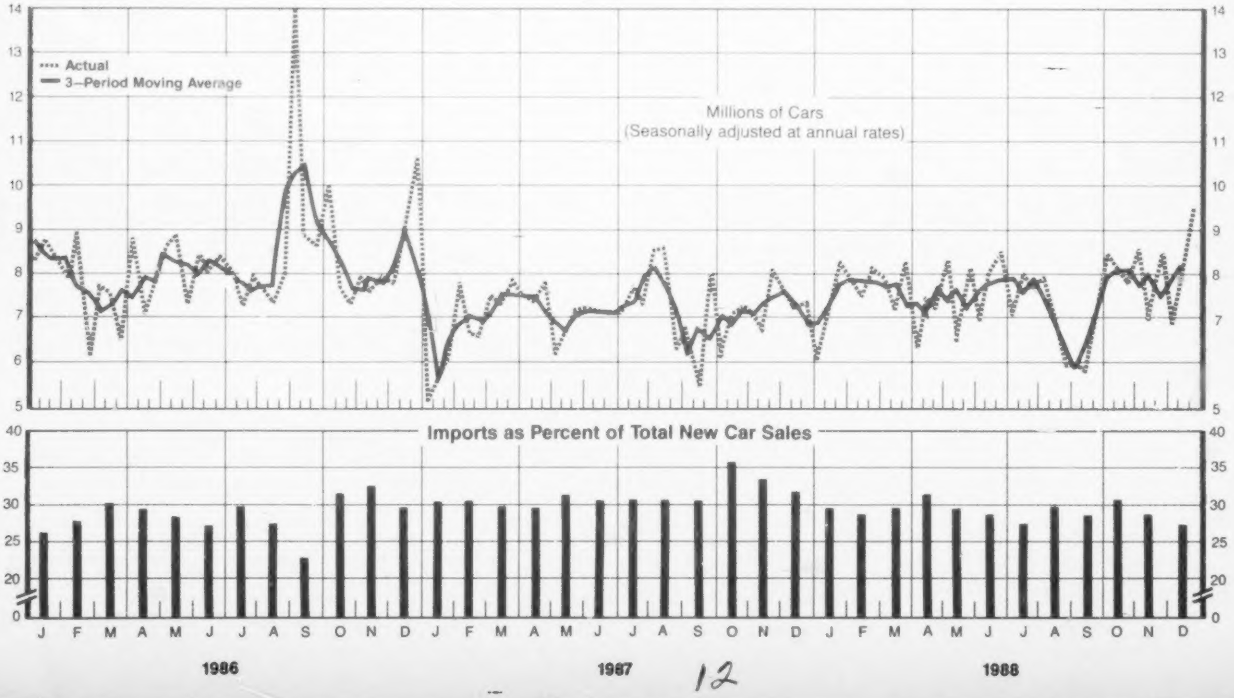
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	9.13	8.37	5.15	6.06
	11-20	7.40	8.74	5.52	7.29
	21-31	8.47	8.26	6.13	8.25
February:	1-10	7.56	7.88	7.78	7.83
	11-20	8.06	8.95	6.64	7.44
	21-28(29)	8.29	6.15	6.58	8.17
March:	1-10	8.01	7.69	7.53	7.81
	11-20	9.14	7.57	7.27	7.13
	21-31	8.30	6.52	7.81	8.28
April:	1-10	8.55	8.79	7.48	6.33
	11-20	9.23	7.06	7.34	7.43
	21-30	8.24	7.75	7.76	7.23
May:	1-10	7.90	8.62	6.16	8.36
	11-20	9.08	8.86	6.66	6.53
	21-31	8.23	7.33	7.19	8.12
June:	1-10	8.42	8.48	7.21	6.88
	11-20	7.70	8.04	7.13	8.00
	21-30	6.90	8.39	7.09	8.48
July:	1-10	7.44	8.10	7.10	7.02
	11-20	7.90	7.28	7.68	7.99
	21-31	7.57	7.97	7.29	7.69
August:	1-10	7.10	7.63	8.55	7.95
	11-20	7.44	7.34	8.60	7.01
	21-31	9.17	8.08	6.26	5.92
September:	1-10	10.23	14.00	6.74	5.93
	11-20	8.68	8.83	5.45	5.80
	21-30	10.35	8.62	8.03	7.40
October:	1-10	8.19	10.04	6.13	8.43
	11-20	7.50	7.67	7.10	8.08
	21-31	7.74	7.27	7.24	7.78
November:	1-10	7.53	7.96	7.15	8.55
	11-20	7.13	7.59	6.68	6.97
	21-30	7.51	7.89	8.09	8.46
December:	1-10	7.37	7.75	7.60	6.84
	11-20	6.88	8.77	7.22	8.31
	21-31	9.10	10.68	7.31	9.54

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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STATISTICAL BULLETIN

Statistical Reference Index
Acquisitions
4520 East West Highway - Suite 800
Bethesda, MD 20814

Highlights

- HIGHER INCOME GROWTH IS BOOSTING CONSUMER DEMAND, BUT LENDING RATES ARE DISCOURAGING CAR AND HOME SALES.
- TIGHT LABOR MARKETS ARE PUSHING UP HOURLY PAY RATES.
- VERY STRONG INDUSTRIAL GROWTH MAY KEEP FORCING UP WAGES AND SET OFF A NEW ROUND OF INFLATION.
- NEW ORDERS STILL RISING STRONGLY.
- ON THE INFLATION WATCH: PRICE INCREASES ARE NOW EVIDENT. INFLATION WILL RISE UNLESS THE ECONOMY COOLS.
- OUTLOOK • U.S. ECONOMIC GROWTH WILL MODERATE, STARTING IN THE SECOND QUARTER, LIMITING THE DAMAGE ON THE INFLATION FRONT.

Volume 22, No. 2, February, 1989

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: There is no longer any question about whether the lid is being kept on inflation. Inflationary signs are everywhere, including higher hourly pay rates and rising farm, raw material, wholesale, and even export price increases. And the U.S. economy is growing so fast that more inflation is almost a foregone conclusion.

For its part, the Federal Reserve has been tightening money growth and allowing interest rates to rise in order to avert an inflationary outbreak. Results to date appear limited to a slow down in home buying and car sales. The rest of the economy shows few signs of cooling. And with domestic interest rates making the dollar more attractive in international currency markets, further rate hikes to solve one problem may exacerbate others. The consensus of the **Economic Forecasts** is that economic growth will soon slacken but evidence to that effect will be slow to emerge.

DOMESTIC MARKET MONITOR

Already-strong labor markets surged in January, adding to inflation jitters. The rise in service jobs maintained its pace in January, but manufacturing hiring quickened. And with new jobs opening up, labor-force participation expanded—some people were induced to begin to job search in earnest. Moreover, to get the work done, employers also lengthened the average workweek. Finally, strong demand in these tight labor markets has helped drive up wages. The average hourly pay rate rose 0.6% in January, about the pace in wage increases over the prior three months.

Higher hourly pay rates will certainly boost consumer demand, as households spend the extra dollars in their paychecks. But higher costs of production will be passed along in the form of higher prices. There is concern that inflation pressures will mount over the next few months. Unit labor costs (hourly compensation less gains in output per hour worked) are already rising more sharply than at any time during this long expansion. Hourly pay rates now appear to be on a rising curve. The other bad news is that output per hour will almost surely be lower in 1989 than last year. Increases in unit labor costs, then, will quicken—as will price increases.

INCOME: Through December, job gains and higher hourly pay rates were boosting income gains. Wages in commodity-producing industry were 1.7% higher in December than three months earlier. Wages in the "other industry" category were 2.4% higher. Given the rise in jobs, hours worked, and hourly pay rates in January, that pace probably quickened, adding momentum to consumption.

Strong as income gains have been, nonwage income has been rising even faster. Total nonwage income was 2.9% higher in December than three months earlier, despite a dip in rental income. With interest rates on the rise, interest income has been spearheading these gains.

While consumer purchasing power has been quickening, borrowing increases have leveled off. Auto loans rose sharply in December, as the pace of car buying quickened. But after strong gains in October and November, the rise in credit-card use tailed off in December. With income gains on the upswing, consumer borrowing may also pick up—especially the use of credit cards, since their rates are relatively fixed.

Strong job gains and fatter wallets should be boosting consumer attitudes but they are not. The Conference Boards' **Consumer Confidence Index** was no higher in December 1988 than at mid-year, and it dipped to 115.3 (1985 = 100) in January. While consumers believe business conditions remain very strong, their expectations about job gains and pay hikes over the next six months are less sanguine. The **Expectations Component** stood at 103.3 in January versus a peak of 114.4 last May. Consumers appear convinced that the good times will soon give way to less expansive conditions.

SPENDING: With money to spend, and a willingness to spend, consumer demand remains bullish. Retail sales, except cars, were 1.7% higher in December than three months earlier. Indeed, sales of durable goods, except cars, were 3.3% higher. If consumer demand dampens as anticipated, it is likely to show up first in lower durable-goods sales.

New domestic **Automobile Sales** increased sharply in December, spurred by discount-loan promotions. Some of these promotions ended in January, as did the rise in sales. With auto loan rates moving higher, car sales are likely to continue to sag.

CONSTRUCTION: Home buying is another area where rising interest rates are having a dampening effect. Sales of new single-family homes were 3.2% lower in December than three months earlier. With mortgage rates likely to move still higher, the already depressed housing market will continue to decline.

Home construction, however, was still expanding through December: Single-unit housing starts were 3.9% higher than three months earlier and construction permits were up 9.2 percent. Given the mild weather this winter, especially in the northeast, those numbers overstate the case. In any event, the pace of home construction will slacken unless home buying begins to rise, an unlikely possibility. Rental housing construction is already softening.

Nonresidential construction, in line with an ongoing rise in business investment in general, is increasing. Although

Ken Goldstein, Editor

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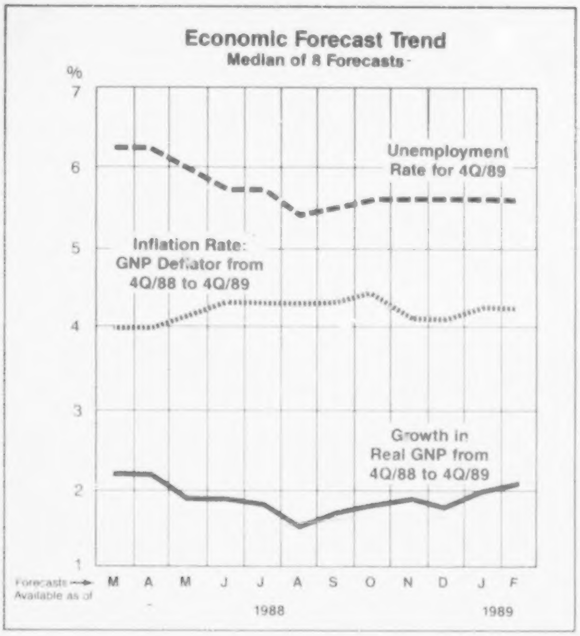


commercial building was lower in December than three months earlier, industrial and office building was rising. The gains in construction employment and hours worked in January suggest nonresidential construction continued to rise.

PRODUCTION: Though export growth has stalled, both consumer demand and business investment are quite vigorous and output growth has surged to meet that demand. Industrial output was 1.2% higher in December than three months earlier, despite a 0.7% cut in defense- and space-related output. In fact, consumer durable-goods output was a full 4.6% higher.

The rise in jobs and hours worked in manufacturing in January indicate that peak production schedules are being maintained. But with capacity utilization now at or above the 85% mark, even with an investment boom now entering its third year, some fear that demand will outstrip productive capacity and that shortages will fuel prices in at least some markets.

Although recent Conference Board surveys of consumers and business executives, as well as the consensus of the **Economic Forecasts,** anticipate a slowing in the long expansion, data on current activity show no signs of let up. For example, new orders for durables, except for defense-related materiel, were 3.1% higher in December than three months earlier. Moreover, another measure of the strength in industrial conditions, the ratio of new orders to shipments, was 1.5% higher in December than three months earlier, despite near-maximum production schedules.

INVENTORY: The problem right now may be too little, not too much, inventory. The Inventory-to-Sales ratios reflected fairly lean stocks through much of 1988. And lately, industrial sales have been rising faster than inventory, further reducing the I/S ratios. Inventories, except for cars at the retail level, were 1.2% higher in November than three months earlier, but sales were 1.5% higher.

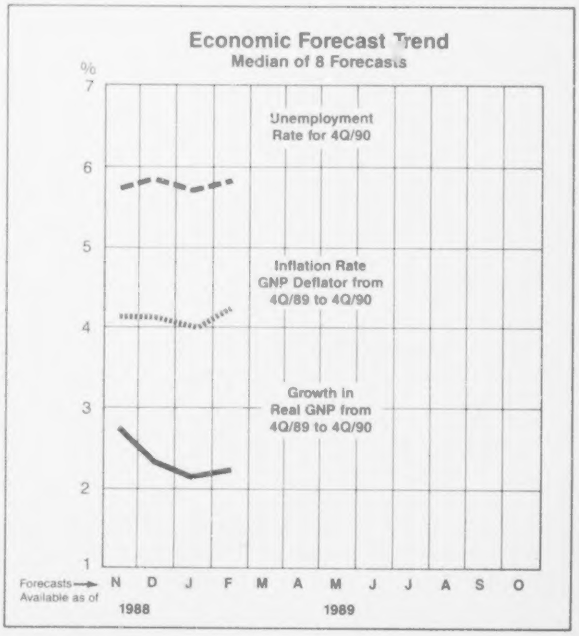
INFLATION: Both labor and nonlabor costs are rising faster. Prices for raw metals rose 8.9% in December, reflecting the surge in factory orders for primary metals. Meanwhile, farm prices rose 1.4% in January, double the rise in each of the prior two months. Those higher prices will flow through to food processors. But most importantly, wholesale prices for raw materials, except food and energy, were a full 3.4% higher in January than three months earlier. In fact, within hours of the release of that data in February, the prime interest rate was raised again.

INTERNATIONAL MONITOR

Trade conditions are now taking strength from, not adding strength to, the domestic economy. Total imports were no higher in November than three months earlier, despite rising consumer demand and business investment. However, continued gains in those two sectors will begin to pull in imports.

While import growth may resume, export growth will not. Exports of manufactured goods were 0.4% lower in November than three months earlier. Domestic interest rate increases over the last six months have helped strengthen the dollar, effectively raising the price of exports more than would otherwise be the case. For example, the prices of semi-finished goods exports rose at a 4.1% annual rate in the fourth quarter of 1988. Still higher domestic interest rates could quicken that pace, hindering already soft foreign sales.

Ken Goldstein
February 10, 1989

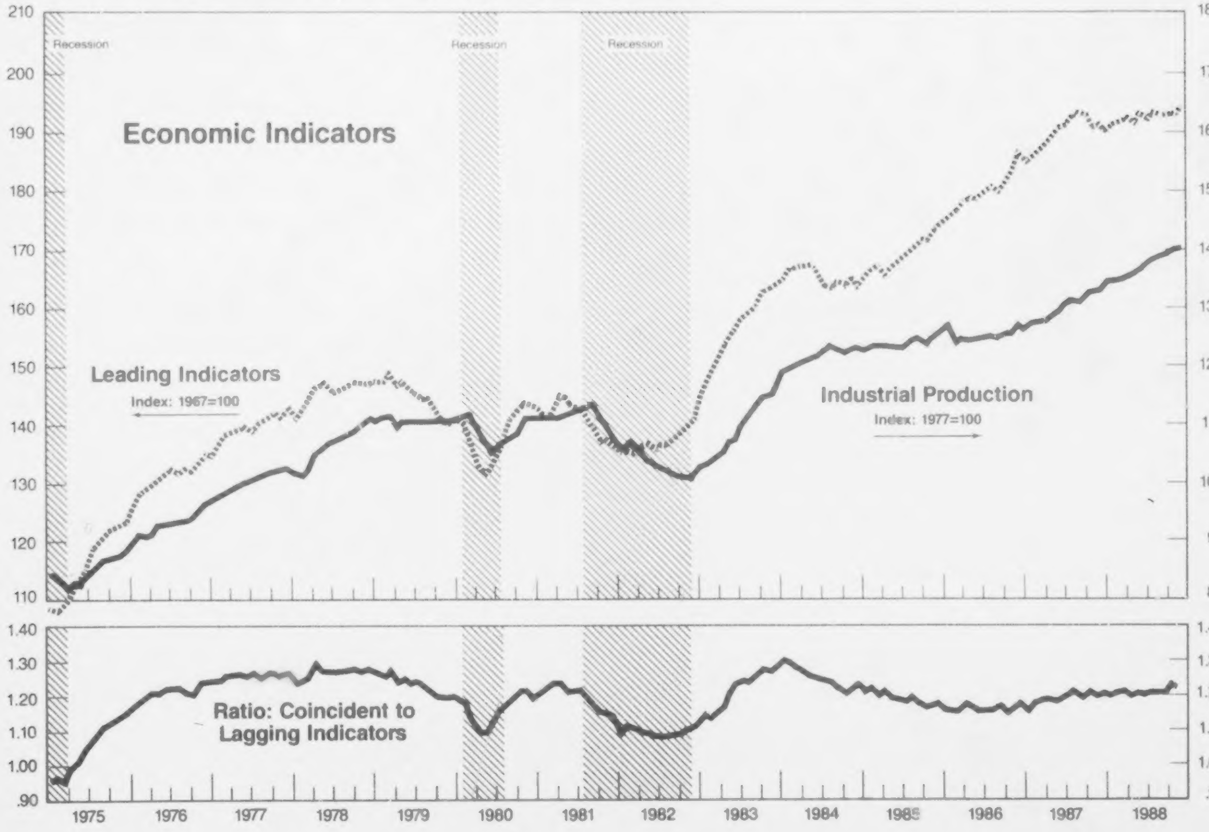


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Dec.	X			1.0%	2.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Dec.	X			7.3%	8.8%
New orders, nondefense capital goods (deflated)	Nov.			X	– 9.3%	14.7%
New business formation	Nov.	X			2.4%	3.3%
*Housing permits	Dec.	X			12.3%	14.2%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Dec.	X			5.8%	7.1%
*Change in inventory, on hand & order (deflated)	Nov.	X			47.5%	-56.5%
Purchasing manager's buying policy	Jan.		X		9.3%	– 2.1%
*Vendor performance, reported slower deliveries	Jan.			X	– 8.3%	-19.1%
Industrial raw materials prices	Dec.	X			3.3%	8.0%
*Change in sensitive material prices	Dec.		X		– 53.6%	– 82.9%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Dec.		X		0.0%	1.3%
Change in business loans	Nov.		X		80.7%	309.0%
*Change in credit outstanding	Nov.			X	-40.2%	10.3%
Change in consumer installment debt	Nov.			X	-15.9%	149.0%
Profitability						
Total corporate profits, after tax (deflated)	3rd.Q	X			3.4%	11.1%
*Common stock prices	Jan.	X			2.5%	13.5%
Marginal Employment Adjustments						
*Average workweek, mfg	Jan.		X		– 0.2hr	– 0.1hr
*Initial unemployment claims (inverted)	Dec.			X	– 7.8%	2.2%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



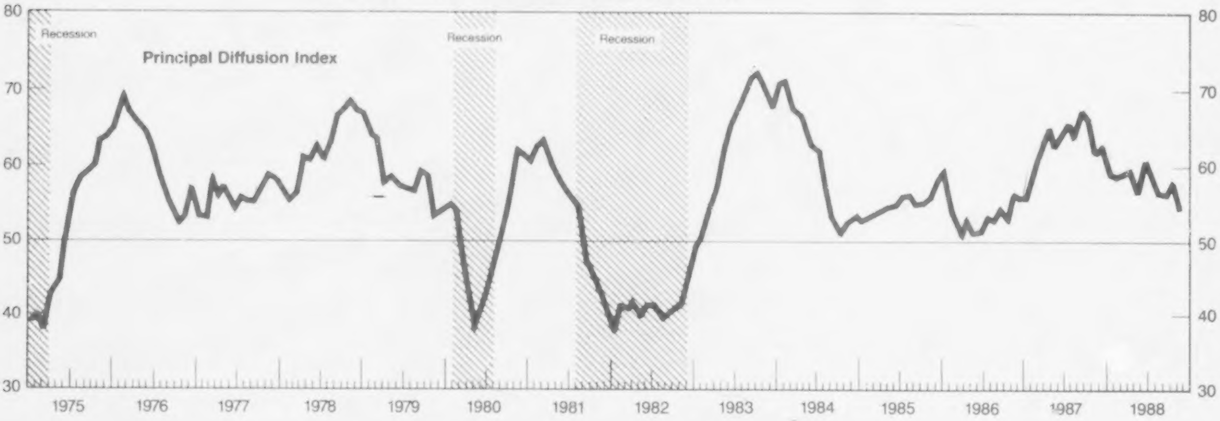
CONFERENCE BOARD DIFFUSION INDEXES

	1987	1988			
DIFFUSION INDEXES	Nov.	Aug.	Sept.	Oct.	Nov.(e)
Principal Diffusion Index	60.3r	56.3r	56.1r	57.9r	**54.6**
Auxillary Diffusion Index	36.5r	40.9r	49.2r	56.0r	**39.3**
Industrial Group	62.7r	54.5r	55.1r	57.9r	**53.1**
Nonindustrial Group	57.9r	58.1r	57.1r	57.9r	**56.2**
Sense of Diffusion	1	1	1	1	**1**
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	69.2	58.1	59.4r	60.3r	**61.1**
Labor	61.3r	53.8r	57.6r	62.6r	**55.1**
Miscellaneous	56.4	50.6	42.3	42.9	**35.9**
Nonindustrial Subgroups					
Prices	63.5	42.9	43.6	44.2	**37.2**
Consumer	59.8	68.2	63.2	69.0	**68.8**
Building	44.9	55.8	55.1r	55.1r	**54.5**
Miscellaneous	61.1r	59.8r	61.1r	57.7r	**57.3**

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985	*1986*				*1987*				*1988*		
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
	Score (scale 0-100)											
Measure of Business Confidence	55	61	61	50	51	55	55	59	47	51	58	**56**
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	53	63	61	44	50	56	55	62	50	49	64	**65**
2. Expectations for Economy, Six Months Ahead	56	62	62	52	51	54	53	56	43	50	54	**51**
3. Expectations for Own Industry, Six Months Ahead	56	59	60	54	53	56	56	58	48	54	55	**53**

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[2] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*Jan., 1989*		*Jan., 1989*		*Jan., 1989*		*Jan., 1989*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**IV**			**$4989.9**	**6.8%**	**$4989.9**	**6.8%**	**$4989.9**	**6.8%**
Forecast	1989	I	$5101.0	8.8%	5104.1	9.5	5081.9	7.6	5099.1	9.0
		II	5164.6	5.1	5187.5	6.7	5148.7	[illegible]	5177.4	6.3
		III	5217.5	4.2	5241.3	4.2	5219.6	5.6	5269.2	7.3
		IV	5278.2	4.7	5289.7	3.7	5292.1	5.7	5356.0	6.8
	1990	I	5340.8	4.8	5364.3	5.8	5362.3	5.4	5436.8	6.2
		II	5410.7	5.3	5453.8	6.8	5442.2	6.1	5491.2	4.1
		III	5502.8	7.0	5548.8	7.2	5530.6	6.7	5554.7	4.7
		IV	5608.2	7.3	5650.4	7.5	5626.1	7.1	5647.6	6.9
	1991	I	5724.5	8.6						
	1988	**Annual**			**4861.8**	**7.4**	**4861.8**	**7.4**	**4861.8**	[illegible]
	1989	Annual	5190.3	6.7	5205.7	7.1	5185.6	6.7	5225.4	7.5
	1990	Annual	5465.6	5.3	5504.3	5.7	5490.3	5.9	5532.6	5.9
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**IV**			**$4029.2**	**2.0**	**$4029.2**	**2.0%**	**$4029.2**	**2.0%**
Forecast	1989	I	$4089.5	5.7%	4079.6	5.1	4072.0	4.3	4079.3	5.1
		II	4098.6	0.9	4102.2	2.2	4083.0	1.1	4099.3	2.0
		III	4095.2	–0.3	4099.3	–0.3	4097.0	1.4	4123.0	2.3
		IV	4099.3	0.4	4093.6	–0.6	4112.0	1.5	4142.3	1.9
	1990	I	4099.1	–0.0	4104.9	1.1	4128.0	1.6	4152.6	1.0
		II	4111.7	1.2	4131.1	2.6	4148.0	2.0	4144.3	–0.8
		III	4141.4	2.9	4160.5	2.9	4174.0	2.5	4148.4	0.4
		IV	4181.2	3.9	4191.9	3.1	4208.0	3.3	4174.1	2.5
	1991	I	4219.5	3.7						
	1988	**Annual**			**3995.0**	**3.8**	**3995.0**	**3.8**	**3995.0**	**3.8**
	1989	Annual	4095.7	2.5	4093.7	2.5	4091.0	2.4	4111.0	2.9
	1990	Annual	4133.4	0.9	4147.1	1.3	4164.5	1.8	4154.9	1.1
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**IV**			**123.8**	**4.7%**	**123.8**	**4.7%**	**123.8**	**4.7%**
Forecast	1989	I	124.7	2.9%	125.1	4.2	124.8	3.1	125.0	3.8
		II	126.0	4.2	126.5	4.4	126.1	4.2	126.3	4.2
		III	127.4	4.5	127.9	4.5	127.4	4.2	127.8	4.8
		IV	128.8	4.3	129.2	4.3	128.7	4.1	129.3	4.8
	1990	I	130.3	4.8	130.7	4.6	129.9	3.8	130.9	5.1
		II	131.6	4.1	132.0	4.2	131.2	4.1	132.5	4.9
		III	132.9	3.9	133.4	4.2	132.5	4.0	133.9	4.3
		IV	134.1	3.8	134.8	4.3	133.7	3.7	135.3	4.3
	1991	I	135.7	4.7						
	1988	**Annual**			**121.7**	**3.4**	**121.7**	**3.4**	**121.7**	**3.4**
	1989	Annual	126.7	4.1	127.2	4.5	126.8	4.2	127.1	4.4
	1990	Annual	132.2	4.3	132.7	4.4	131.8	4.0	133.2	4.8
Unemployment Rate										
Actual	**1988**	**IV**		5.3%		5.3%		5.3%		5.3%
Forecast	1989	I		5.2		5.3		5.3		5.2
		II		5.2		5.3		5.4		5.0
		III		5.2		5.4		5.5		4.8
		IV		5.4		5.8		5.5		4.9
	1990	I		5.6		6.1		5.5		5.0
		II		5.8		6.3		5.6		5.2
		III		5.9		6.2		5.6		5.4
		IV		5.9		6.0		5.7		5.5
	1991	I		5.8						
	1988	**Annual**		**5.5**		**5.5**		**5.5**		**5.5**
	1989	Annual		5.2		5.5		5.4		5.0
	1990	Annual		5.8		6.2		5.6		5.3

Notes: [1] Based on revised (second revision) third quarter data.
[2] Based on preliminary fourth quarter data.

ECONOMIC FORECASTS (continued)

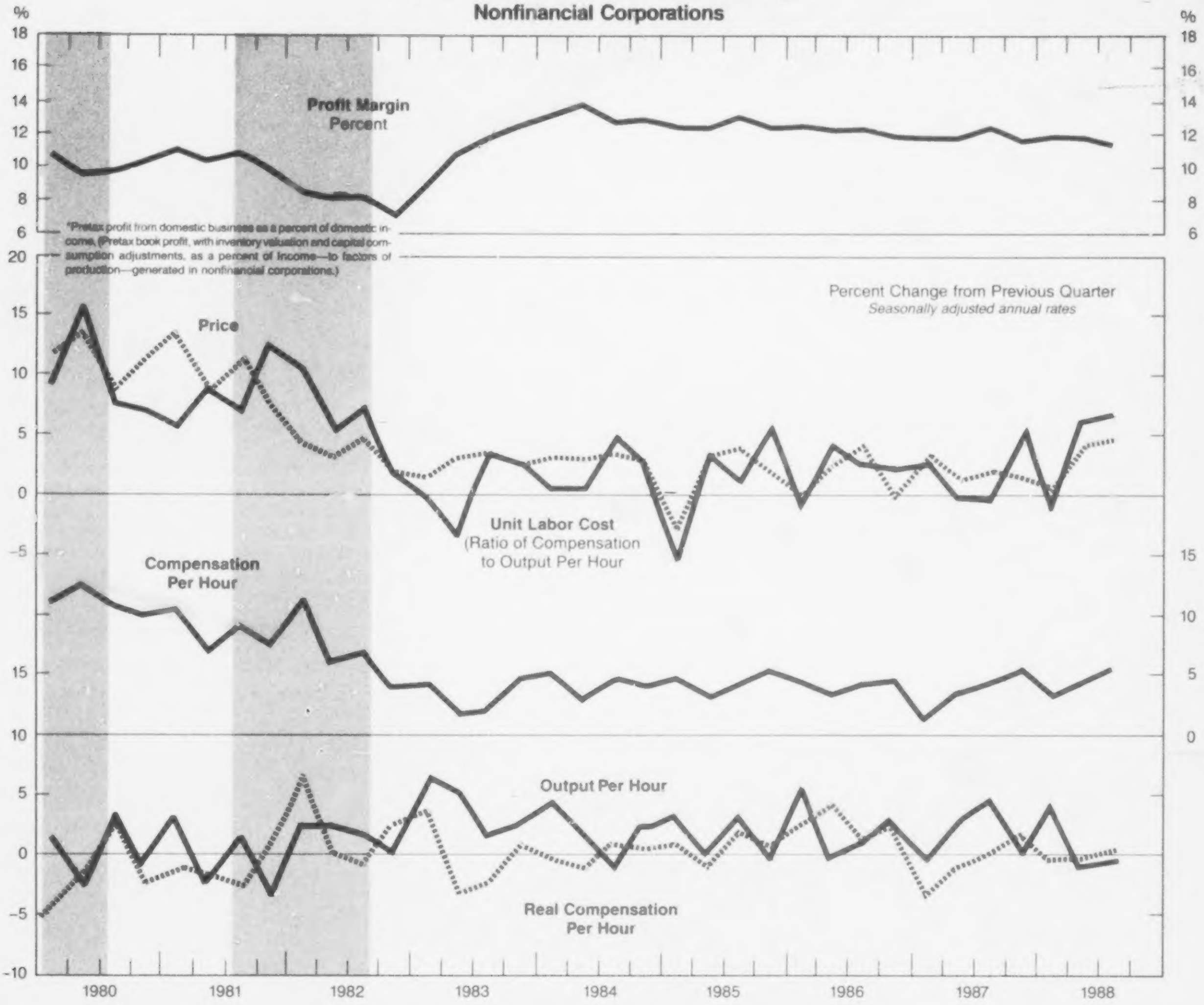
The Conference Board[2]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Jan., 1989		*Jan., 1989*		*Jan., 1989*		*Jan., 1989*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4989.9	**6.8%**	**$4989.9**	**6.8%**	**$4989.9**	**6.8%**	**$4989.9**	**6.8%**	**IV**	**1988**	**Actual**
5120.0	10.8	5099.0	9.0	5087.9	8.1	5099.2	9.1	I	1989	Forecast
5210.0	7.2	5168.6	5.6	5152.5	5.2	5181.5	6.6	II		
5273.0	4.9	5235.5	5.3	5214.9	4.9	5260.1	6.2	III		
5325.0	4.0	5309.7	5.8	5278.6	5.0	5347.5	6.8	IV		
5370.0	3.4	5406.9	7.5	5352.1	5.7	5429.0	6.2	I	1990	
5457.0	6.6	5490.9	6.4	5424.6	5.5	5518.8	6.8	II		
5555.0	7.4	5571.9	6.0	5507.1	6.2	5618.1	7.4	III		
5654.0	7.3	5659.0	6.4	5603.5	7.2	5714.9	7.1	IV		
				5724.0	8.9	5818.6	7.5	I	1991	
4861.8	**7.4**	**4861.8**	**7.4**	**4861.8**	**7.4**	**4861.8**	**7.4**	**Annual**	**1988**	
5232.0	7.6	5203.2	7.0	5183.5	6.6	5222.1	7.4	Annual	1989	
5509.0	5.3	5532.2	6.3	5471.8	5.6	5570.2	6.7	Annual	1990	
								Gross National Product Billions of Constant (1982) Dollars		
$4029.2	**2.0%**	**$4029.2**	**2.0%**	**$4029.2**	**2.0%**	**$4029.2**	**2.0%**	**IV**	**1988**	**Actual**
4086.2	5.8	4079.7	5.1	4079.6	5.1	4077.8	4.9	I	1989	Forecast
4108.7	2.2	4097.6	1.8	4094.4	1.5	4099.1	2.1	II		
4106.6	-0.2	4114.2	1.6	4103.8	0.9	4116.2	1.7	III		
4096.3	-1.0	4137.3	2.3	4118.2	1.4	4134.0	1.7	IV		
4080.9	-1.5	4167.7	3.0	4130.9	1.2	4149.2	1.5	I	1990	
4097.2	1.6	4190.5	2.2	4149.6	1.8	4173.3	2.3	II		
4120.8	2.3	4210.3	1.9	4174.7	2.4	4206.2	3.2	III		
4142.4	2.1	4234.7	2.3	4210.2	3.4	4237.2	3.0	IV		
				4253.6	4.2	4236.5	2.5	I	1991	
3995.0	**3.8**	**3995.0**	**3.8**	**3995.0**	**3.8**	**3995.0**	**3.8**	**Annual**	**1988**	
4099.5	2.6	4107.2	2.8	4099.0	2.6	4106.8	2.8	Annual	1989	
4110.3	0.3	4200.8	2.3	4166.4	1.6	4191.5	2.1	Annual	1990	
								Gross National Product deflator Index, 1982 = 100		
123.8	**4.7%**	**123.8**	**4.7%**	**123.8**	**4.7%**	**123.8**	**4.7%**	**IV**	**1988**	**Actual**
125.3	4.8	125.0	3.7	124.7	2.8	125.0	3.9	I	1989	Forecast
126.8	4.9	126.1	3.7	125.8	3.7	126.4	4.4	II		
128.4	5.1	127.3	3.6	127.1	4.0	127.8	4.5	III		
130.0	5.1	128.3	3.4	128.2	3.5	129.4	5.0	IV		
131.6	5.0	129.7	4.4	129.6	4.4	130.8	4.7	I	1990	
133.2	5.0	131.0	4.1	130.7	3.6	132.2	4.3	II		
134.8	4.9	132.3	4.1	131.9	3.7	133.6	4.1	III		
136.5	5.1	133.6	4.0	133.1	3.6	134.9	4.0	IV		
				134.6	4.5	136.5	4.8	I	1991	
121.7	**3.4**	**121.7**	**3.4**	**121.7**	**3.4**	**121.7**	**3.4**	**Annual**	**1988**	
127.6	4.9	126.7	4.1	126.5	3.9	127.1	4.5	Annual	1989	
134.0	5.0	131.7	4.0	131.3	3.9	132.9	4.5	Annual	1990	
								Unemployment Rate		
	5.3%		**5.3%**		**5.3%**		**5.3%**	**IV**	**1988**	**Actual**
	5.3		5.3		5.4		5.4	I	1989	Forecast
	5.3		5.3		5.5		5.3	II		
	5.6		5.3		5.5		5.6	III		
	5.9		5.3		5.6		5.6	IV		
	6.2		5.3		5.7		5.8	I	1990	
	6.2		5.3		5.8		5.8	II		
	6.1		5.3		5.8		5.8	III		
	5.9		5.3		5.8		5.8	IV		
					5.7		5.8	I	1991	
	5.5		**5.5**		**5.5**		**5.5**	**Annual**	**1988**	
	5.5		5.3		5.5		5.5	Annual	1989	
	6.1		5.3		5.8		5.8	Annual	1990	

CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

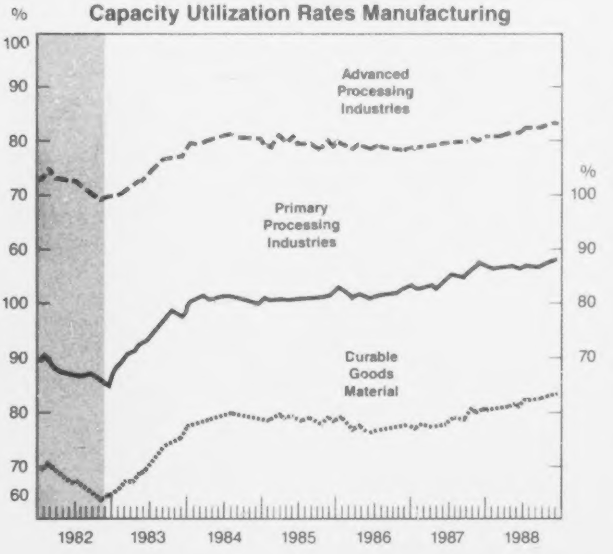
Key Determinants of Profit Margin

Nonfinancial Corporations

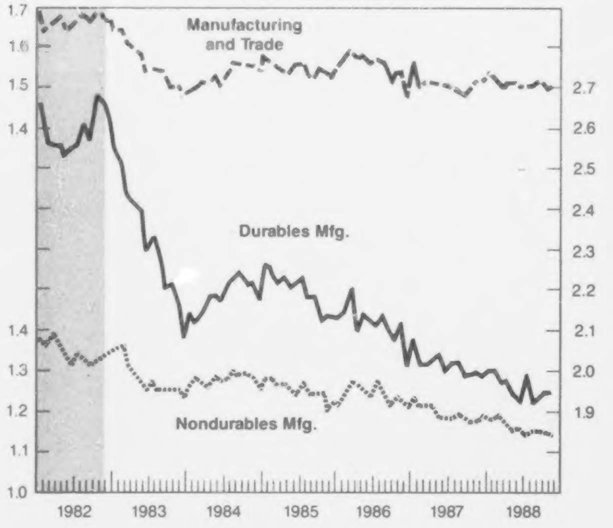


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



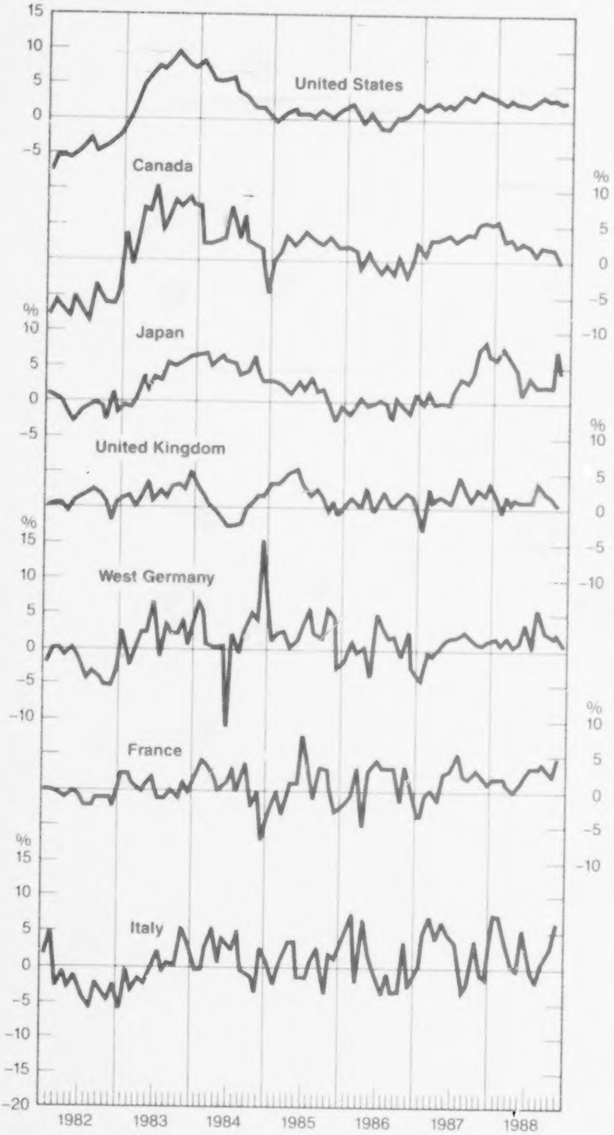
Inventory—Sales Ratios



Selected International Comparisons

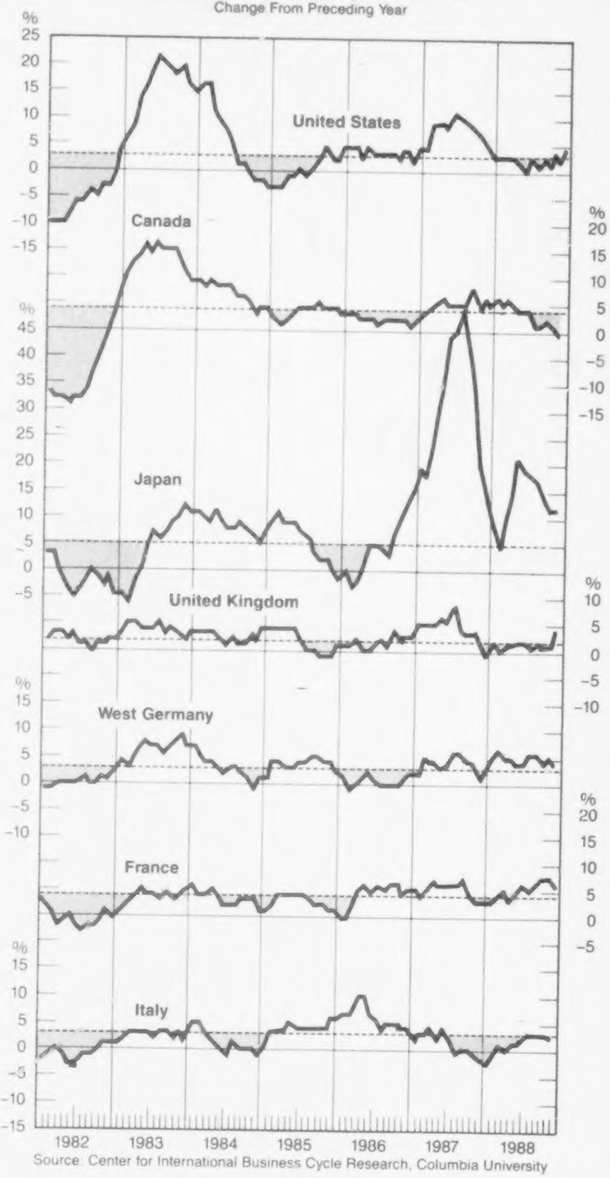
Industrial Production Indexes

Change Over Six Month Span



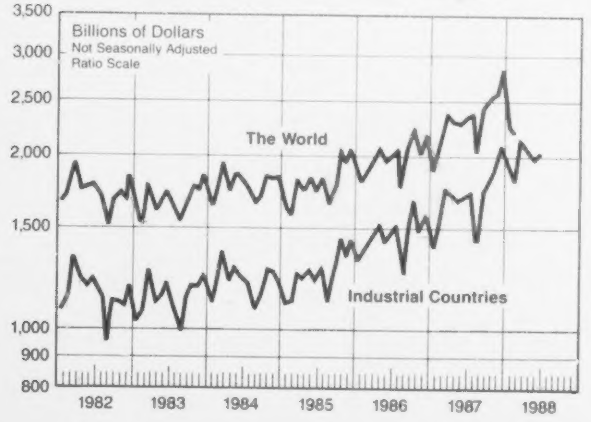
Leading Business Cycle Indexes

Change From Preceding Year

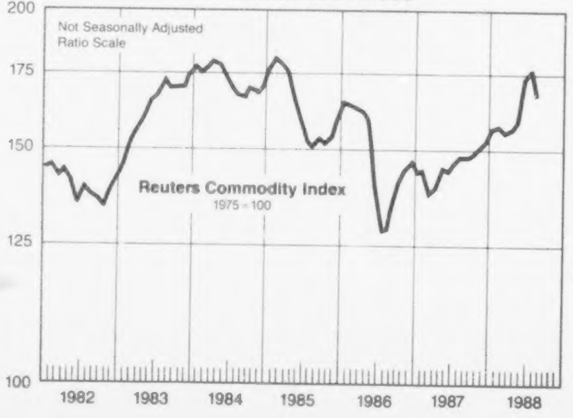


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports



Raw Materials Prices



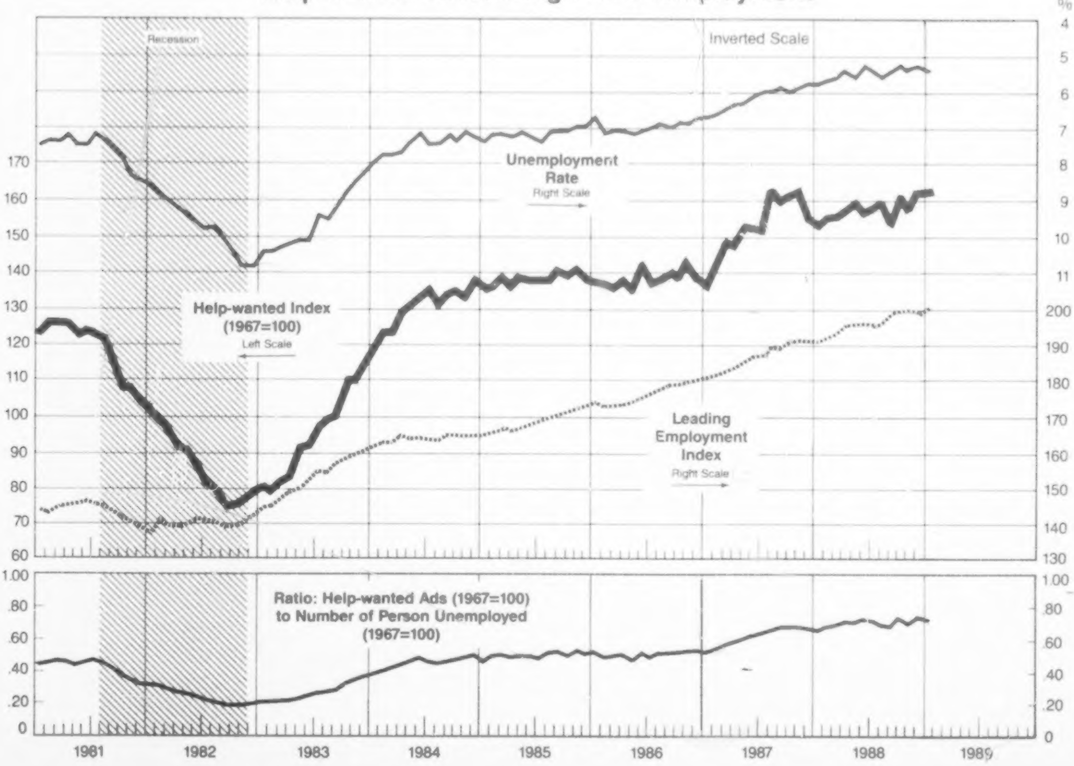
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1988 Dec.	1988 Nov.	1988 Oct.	1987 Dec.
National Index	161	157r	161	156
New England	138	136r	141	175
Boston	128	128r	136	172
Hartford	160	149	152	186
Providence	154	153	151	178
Middle Atlantic	86	84	88	89
Albany	214	208	219	227
Allentown	492	388	376	444
New York	56	55	58	63
Philadelphia	68	70	79	75
Pittsburgh	94	96	101	91
Rochester	101	105	112	95
Syracuse	162	169	172	143
East North Central	102	105	110	99
Chicago	105	105	110	108
Cincinnati	146	176	175	151
Cleveland	64	72	80	63
Columbus	163	169	183	171
Dayton	89	94	98	80
Detroit	61	60	65	54
Gary	198	198	207	174
Indianapolis	131	129	132	112
Milwaukee	103	101	95	93
Toledo	130	129	144	127
West North Central	98	98	105	94r
Kansas City	132	129	132	142
Minneapolis	83	89	96	77
Omaha	171	179	180	142r
St. Louis	74	67	78	68
South Atlantic	234	219r	221	222
Atlanta	262	276	267	275
Baltimore	334	272	273	289
Charlotte	207	204	212	196
Jacksonville	220	222r	225	233
Miami	172	170	177	166
Richmond	138	130r	154	149
Washington, D.C.	N.A.	N.A.	196	191
East South Central	172	175	192r	168
Birmingham	180	176	195	179
Knoxville	339	321	337	301
Louisville	N.A.	N.A.	104r	92
Memphis	135	134	155	136
Nashville	199	226	250	207
West South Central	192	186	181	176
Dallas	141	147	147	157
Houston	290	289r	262	253
New Orleans	143	126	129	128
Oklahoma City	122	111	124	107
San Antonio	178	153	157	156
Tulsa	158	143	156	129
Mountain	332	337	319	329
Denver	222	216	225	211
Phoenix	441	460	406	475
Salt Lake City	394	399	378	354
Pacific	273	263	271	251
Los Angeles	173	169	178	167
Sacramento	501	484	524	456
San Bernadino	337	340	318	300
San Diego	721	666	675	680
San Francisco	278	262	269	242
Seattle	285	287	284	233
Percentage of papers with rising volume	57	22	84	25
Unemployment rate	5.3	5.4	5.3	5.8

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



*Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7	116.9	112.9	119.3r
1989	115.3p											

Expectations Index

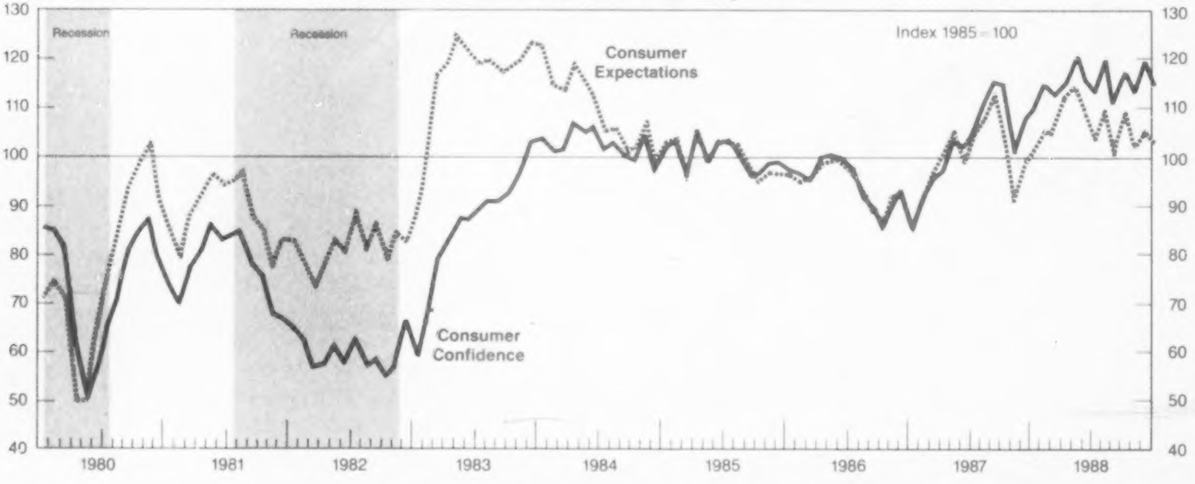
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1	109.3	102.0	105.6r
1989	103.3p											

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

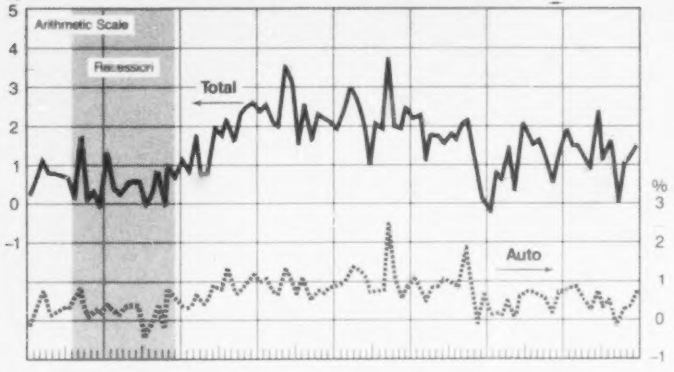
Billions of Dollars, Seasonally Adjusted

	1987				1988			Percent Change From Previous Year Actual	Percent Change From Previous Year Estimate
	I-87	II-87	III-87	IV-87	I-88	II-88(r)	III-88(p)	1988	1989
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	21.441	32.257	29.561	35.909	30.846	40.686	39.092	23%	5%
Capital expenditures	20.801	25.933	27.381	29.820	29.412	31.718	33.548	26	18
Change in appropriations backlog*	−0.550	5.460	0.080	3.510	0.650	8.760	5.090		
Durable Goods									
New appropriations	9.746	16.515	17.208	20.245	14.310	20.261	19.907	20	21
Capital expenditures	11.124	14.006	13.970	16.037	15.780	16.910	18.346	26	24
Change in appropriations backlog*	−2.070	2.310	2.930	3.810	−1.600	3.670	1.420		
Nondurable Goods									
New appropriations	11.695	15.742	12.353	15.664	16.536	20.425	19.185	25	−4
Capital expenditures	9.677	11.927	13.411	13.783	13.632	14.808	15.202	26	13
Change in appropriations backlog*	1.520	3.160	−3.010	−0.300	2.250	5.090	3.670		
ELECTRIC & GAS UTILITIES									
New appropriations	6.528	5.605	5.174	6.286	8.083	4.439			
Capital expenditures	7.662	7.072	7.771	6.590	6.857	6.620			
Change in appropriations backlog*	−0.720	−1.610	−2.840	−0.430	1.235	−2.630			

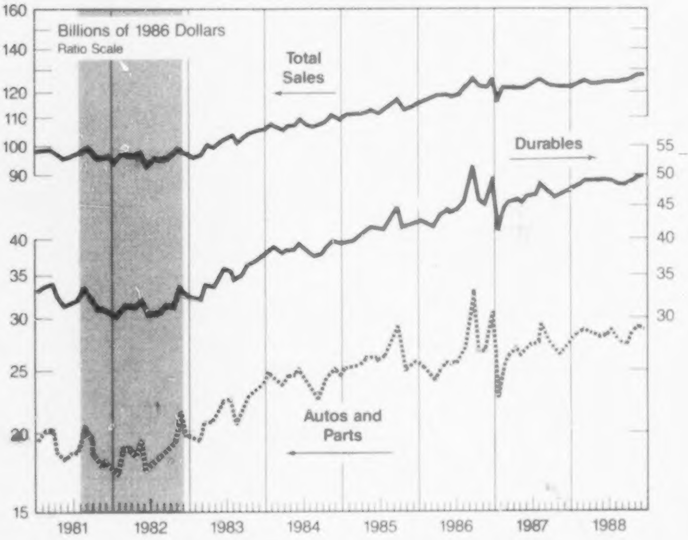
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments).



Consumer Installment Debt Expansion ÷ Personal Income



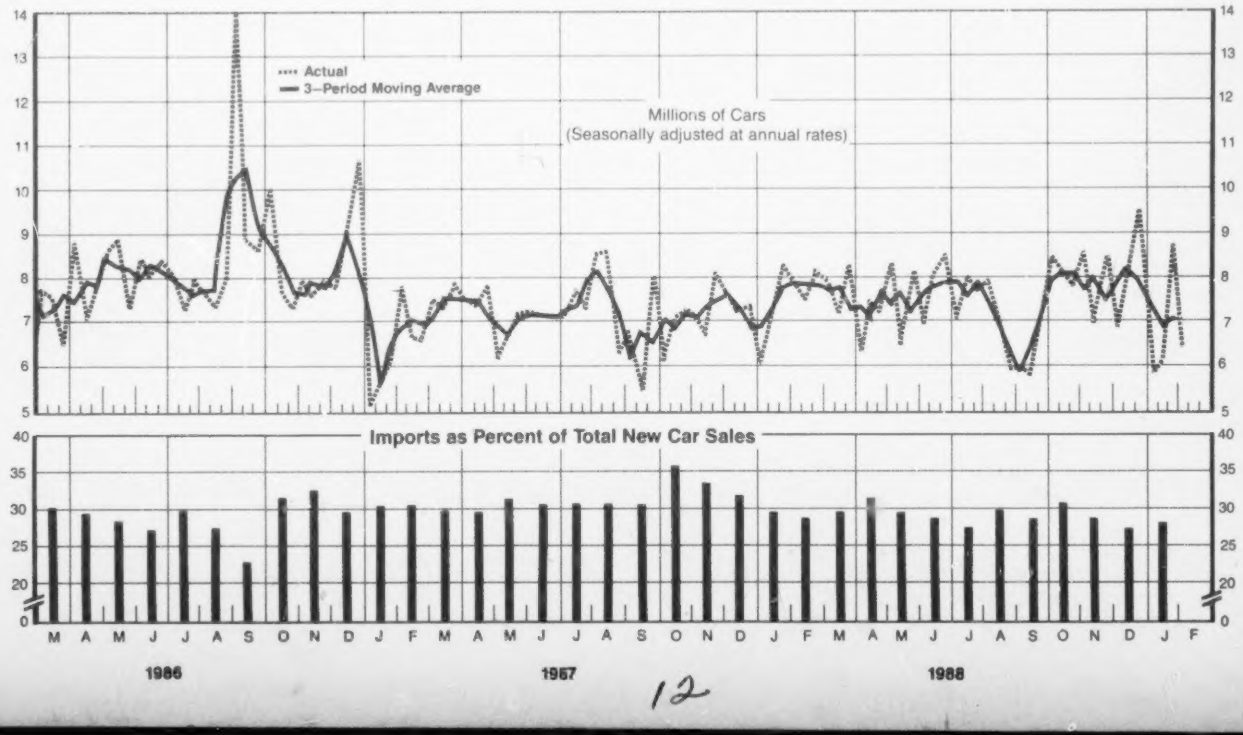
Retail Sales

CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1986	1987	1988	1989
January:	1-10	8.37	5.15	6.06	5.86
	11-20	8.74	5.52	7.29	6.06
	21-31	8.26	6.13	8.25	8.64
February:	1-10	7.88	7.78	7.83	6.40
	11-20	8.95	6.64	7.44	
	21-28(29)	6.15	6.58	8.17	
March:	1-10	7.69	7.53	7.81	
	11-20	7.57	7.27	7.13	
	21-31	6.52	7.81	8.28	
April:	1-10	8.79	7.48	6.33	
	11-20	7.06	7.34	7.43	
	21-30	7.75	7.76	7.23	
May:	1-10	8.62	6.16	8.36	
	11-20	8.86	6.66	6.53	
	21-31	7.33	7.19	8.12	
June:	1-10	8.48	7.21	6.88	
	11-20	8.04	7.13	8.00	
	21-30	8.39	7.09	8.48	
July:	1-10	8.10	7.10	7.02	
	11-20	7.28	7.68	7.99	
	21-31	7.97	7.29	7.69	
August:	1-10	7.63	8.55	7.95	
	11-20	7.34	8.60	7.01	
	21-31	8.08	6.26	5.92	
September:	1-10	14.00	6.74	5.93	
	11-20	8.83	5.45	5.80	
	21-30	8.62	8.03	7.40	
October:	1-10	10.04	6.13	8.43	
	11-20	7.67	7.10	8.08	
	21-31	7.27	7.24	7.78	
November:	1-10	7.96	7.15	8.55	
	11-20	7.59	6.68	6.97	
	21-30	7.89	8.09	8.46	
December:	1-10	7.75	7.60	6.84	
	11-20	8.77	7.22	8.31	
	21-31	10.68	7.31	9.54	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.



Domestic—Model Car Sales

R4105-3
4/13/89

STATISTICAL BULLETIN

Highlights

- SLOWER INCOME GROWTH MAY COOL CONSUMER DEMAND; HIGH LENDING RATES CONSTRAIN ALREADY SOFT CAR AND HOME SALES.
- TIGHT LABOR MARKETS COULD BE EASING.
- BUT STILL RAPID GROWTH IN NEW ORDERS CONTINUES TO KEEP PRESSURE ON THE INDUSTRIAL SECTOR.
- LOW INVENTORIES COULD LIMIT ANY DOWNTREND IN OVERALL ECONOMIC GROWTH.
- ON THE INFLATION WATCH: PRICE INCREASES ARE NOW HIGHER. THE PACE WILL SPEED UP UNLESS THE ECONOMY COOLS.
- OUTLOOK • U.S. ECONOMIC GROWTH WILL MODERATE IN THE SECOND QUARTER AND MAY PROVE SLUGGISH BEFORE THE YEAR IS OVER.

Volume 22, No. 3, March, 1989.

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The Conference Board

Statistical Reference Index
Acquisitions
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THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: Whether on its own accord, or through policy measures, slower U.S. economic growth continues to be the consensus outlook of the **Economic Forecasts**. And that slower growth is expected to start showing up in the second quarter. There are some indications, though not terribly strong, that the pace of U.S. economic activity is already beginning to slide. Jobs and hours worked slowed and the hourly pay rate, so important from an inflation standpoint, was almost flat in February. Consumer spending also tailed off a little. Higher interest rates are holding down the rate of inventory accumulation. In contrast, the pace of industrial activity shows little sign of fatigue. In fact, new orders appear to be picking up.

DOMESTIC MARKET MONITOR

Strong labor markets in January, which heightened inflation concerns, gave way to somewhat more modest conditions in February. The rise in new hiring slowed: The gain in service jobs was still substantial, but employment levels in goods production were flat. Total hours worked were unchanged and labor-force participation declined. The average hourly pay rate only rose by a penny. Initial unemployment claims inched higher. The Conference Board's **Help-wanted Index**, a measure of labor demand, fell in January—and early returns to the February survey suggest it may have declined again.

Inflation jitters may persist, even if labor markets cool. Labor productivity growth typically falls when production growth slows. So, even if moderating labor markets relieve upward pressure on the average hourly pay rate, unit labor costs (hourly compensation less gains in output per hour worked) might continue to rise a little, but not indefinitely. Thus, inflation, and anti-inflation policy with its negative impact on growth, may continue for a time.

INCOME: There are some signs that wage gains are slowing. Wages in commodity-producing industry were 0.9% higher in January than three months earlier, a slight dip from the recent trend. Wages in the "other industry" category were 2.7% higher, no real change in trend. But given the weaker rise in new jobs in February, little gain in hourly rates, and no rise in hours worked, wage gains probably continued to edge lower.

Nonwage income gains, however, have increased—except for rental income which is still falling. Total nonwage income was 3.7% higher in January than three months earlier. Interest income is still rising sharply, and shopkeepers' income has also started to rise very sharply.

Consumer borrowing has turned sluggish, with the exception of still-robust auto loans, which appear a response to promotional rates. But revolving credit, largely credit card activity, has tailed off even though interest rates are generally fixed. This may indicate that consumers are simply not in a borrowing mood, a possible sign of weakening consumer confidence.

Consumer attitudes have been wavering: Earlier this year, strong pay increases and job gains bolstered optimism, while reports of slower economic growth and/or inflation ahead alternately sapped confidence. In February, The Conference Board's **Consumer Confidence Index** soared to 122 (1985 = 100). The rise in the **Expectations Component** was more modest. With job growth and pay increases reportedly now slowing a little, and inflation jitters, the next readings will probably show some dampening of optimism.

SPENDING: The good news is that consumer demand is still rising. Retail sales, except cars, were 0.9% higher in February than three months earlier. Sales of durable goods, except cars, were 2.2% higher. The bad news is that the good news may not last. The gains in sales have slowed a little from prior trends. And if consumer attitudes weaken, and income growth slows, the rise in spending will continue to moderate.

New domestic **Automobile Sales** were flat in February. The selling pace has now hovered close to 7 million units, seasonally adjusted at an annual rate, despite extended promotional campaigns. And with interest rates still moving higher, car sales are likely to sag, especially when the promotions have run their course.

CONSTRUCTION: Relatively mild winter weather in at least some parts of the country contributed to a rise in new home construction. Unfortunately, the mild weather did not offset the hikes in mortgage rates or the continued rise in new home prices. New single-family home sales, then, were almost 2% lower in January than three months earlier, while the backlog of unsold homes was 5.1% higher. Nevertheless, permits to build new single-unit homes were 4.8% higher. With a rising stock of unsold homes, mortgage rates still rising, and no break in the upward trend of home prices (despite lackluster sales volume), home buying is likely to remain mired in a deep and already quite long slump, perhaps through the rest of this year.

Business investment remains on a strong upward trend, as demonstrated by continued increases in nonresidential construction. Industrial, office, commercial, and public building (including work on roads and other infrastructure) all rose sharply through January. And the data on new jobs and hours worked in construction in February suggest that building continued strongly through that month.

Ken Goldstein, Editor

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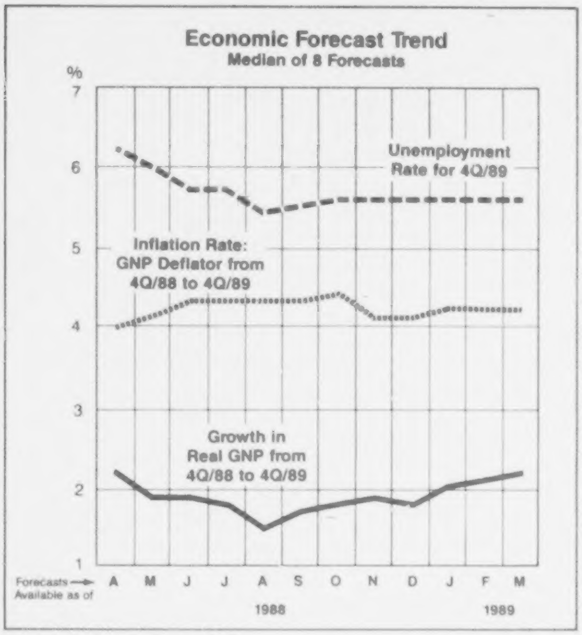


PRODUCTION: The rapid expansion in industrial output may subside, especially if the rise in consumer demand cools. To date however, it is full steam ahead. Total industrial production was 1.2% higher in January than three months earlier, despite a 1.1% drop in defense- and space-related output. Consumer durable goods output was 2.2% higher while that of business equipment was up 1.4 percent.

The overall utilization rate stood at 84.4% in both December and January. The absence of any rise in jobs or hours worked in manufacturing in February suggests some moderation in the expansion may be underway. Still, too much should not be made of one month's data. Fear that demand will outstrip productive capacity, with shortages fueling price hikes, remains an active concern.

One reason such concerns will not disperse is that new orders are still strong. New orders for durable goods, except for defense-related materiel, were a full 8.1% higher in January than three months earlier. Moreover, another measure of the strength in industrial conditions, the ratio of new orders to shipments, was 3.1% higher in January than three months earlier, despite the near-maximum-capacity level of current production schedules. Thus, despite concerns about potential softness in exports and a cooling of consumer demand, it appears business cannot produce enough, and fast enough, to keep up with total demand.

INVENTORY: Despite rapid production growth, inventory has been rising slowly. In part that reflects an attempt to cope with rising interest rates, which increase the carrying charges. Total inventory, except cars at the retail level, was 1.5% higher in December than three months earlier. Yet, the Inventory-to-Sales ratios remained unchanged for the eighth straight month. If overall economic growth slows as anticipated, the absence of any inventory overhang suggests the downturn will not be steep.

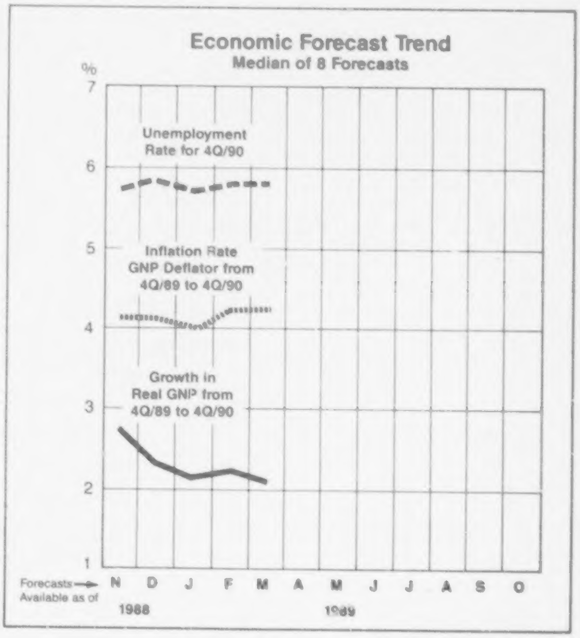
INFLATION: No doubt some of the recent uptick in inflation reflects higher oil prices. But recent sharp increases in raw metal prices reflects the strong demand noted in the still rapid rise in new factory orders. Meanwhile, farm prices were 2.8% higher in February than three months earlier. Those hikes will flow through to food processors. And wholesale prices for raw materials, except food and energy, were 3.4% higher in January than three months earlier. The speed up in inflation will slow if the economy does.

INTERNATIONAL MONITOR

Strong domestic industrial conditions have exacerbated the merchandise trade deficit. Imports of raw and semi-finished industrial materials were 10.8% higher in January than three months earlier. Imports of capital goods, as a result of the ongoing surge in equipment investment, rose 6.6 percent. So, even though consumer goods imports have slowed, total merchandise imports are rising.

Exports of goods have fallen, but that may be temporary. Exports of cars and car parts were 13% lower in January than three months earlier. But exports of other consumer goods were 20% higher. Given the upward trend in industrial production and in other leading indicators for Europe and Japan (see the **Selected International Comparisons** chart), rising U.S. exports is the near-term trend.

Ken Goldstein
March 15, 1989

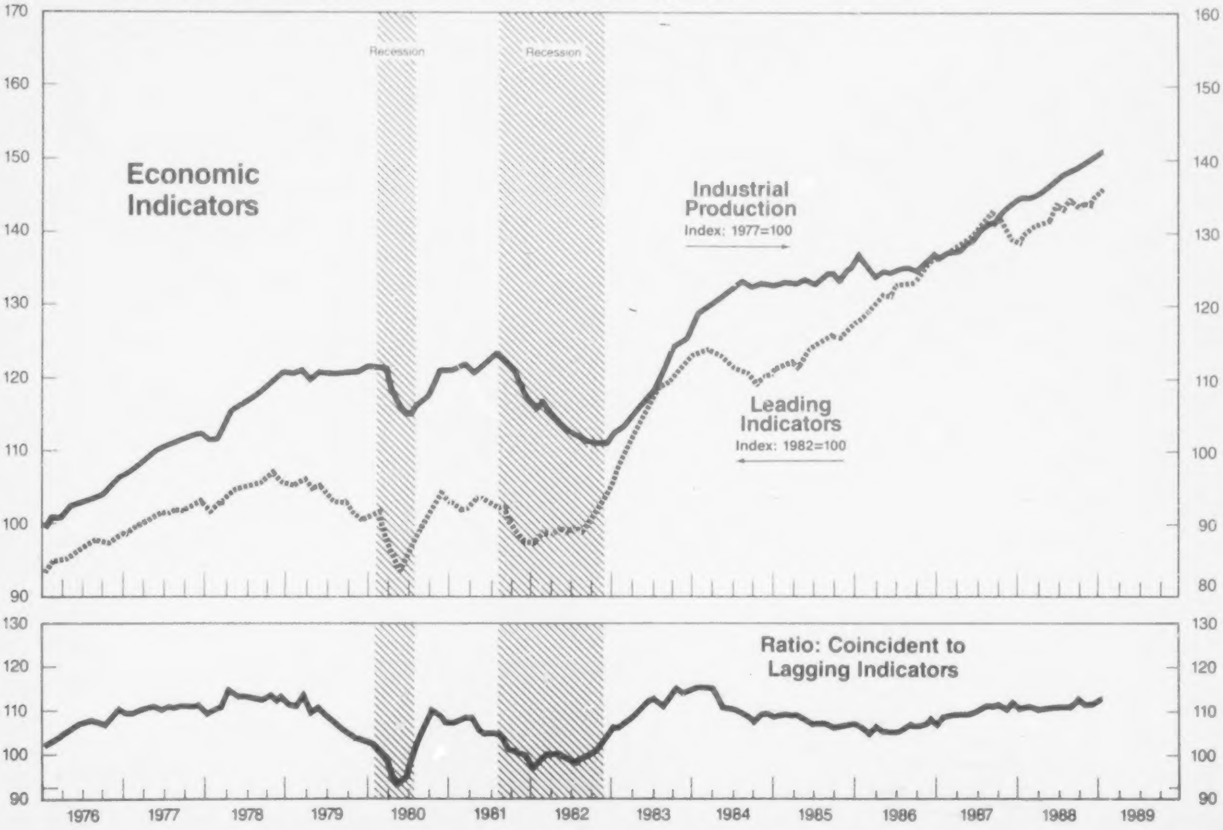


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Jan.	X			1.3%	5.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jan.	X			12.4%	13.8%
New orders, nondefense capital goods (deflated)	Jan.	X			11.6%	13.3%
New business formation	Dec.			X	- 2.1%	0.6%
*Housing permits	Jan.		X		- 0.6%	20.8%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jan.			X	3.0%	8.8%
*Change in unfilled orders, mfg.	Jan.	X			23.6%	33.0%
Purchasing manager's buying policy	Feb.	X			14.0%	- 3.9%
*Vendor performance, reported slower deliveries	Jan.	X			- 1.1%	-13.5%
Industrial raw materials prices	Jan.	X			6.2%	10.7%
*Change in sensitive material prices	Jan.	X			74.1%	51.6%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Jan.			X	- 0.2%	0.2%
Change in business loans	Jan.			X	67.2%	47.5%
*Consumer expectations	Jan.	X			3.3%	11.1%
Change in consumer installment debt	Jan.		X		11.6%	-30.1%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			3.4%	11.1%
*Common stock prices	Jan.	X			2.9%	13.9%
Marginal Employment Adjustments						
*Average workweek, mfg.	Feb.		X		- 0.2hr	0.0hr
*Initial unemployment claims (inverted)	Jan.		X		- 2.1%	15.7%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



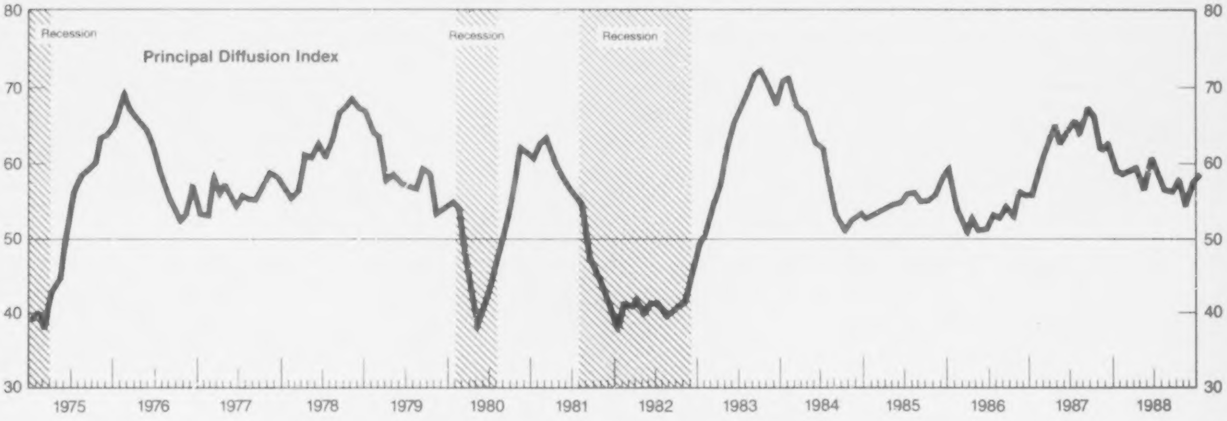
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1988 Jan.	1988 Oct.	1988 Nov.	1988 Dec.(r)	1989 Jan.(e)
Principal Diffusion Index	58.6	58.0r	55.9r	57.5	58.3
Auxillary Diffusion Index	41.6	57.3r	42.9r	55.2	52.6
Industrial Group	59.9	58.7r	55.3r	54.4	56.0
Nonindustrial Group	57.2	57.4r	56.4r	60.6	60.0
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	68.8	65.4r	65.8r	63.7	69.9
Labor	54.2	61.0r	53.7r	51.5	52.4
Miscellaneous	60.9	42.9	43.6r	47.4	43.9
Nonindustrial Subgroups					
Prices	64.1	44.2	37.2	45.5	53.2
Consumer	65.4	69.0	68.8	68.2	67.9
Building	44.6	52.6r	51.9r	55.1	61.9
Miscellaneous	53.0	57.7	59.8r	66.7	57.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985	1986				1987				1988		
	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.
	Score (scale 0-100)											
Measure of Business Confidence	55	61	61	50	51	55	55	59	47	51	58	56
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	53	63	61	44	50	56	55	62	50	49	64	65
2. Expectations for Economy, Six Months Ahead	56	62	62	52	51	54	53	56	43	50	54	51
3. Expectations for Own Industry, Six Months Ahead	56	59	60	54	53	56	56	58	48	54	55	53

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Proje[illegible]		Merrill Lynch[2] Economics Inc.		E.I. duPont[2] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*Feb., 1989*		*Feb., 1989*		*Feb., 1989*		*Feb., 1989*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**IV**	**$4995.2**	**7.2%**			**$4995.2**	**7.2%**	**$4995.2**	**7.2%**
Forecast	1989	I	5106.3	9.2	$5104.1	9.5%	5090.0	7.8	5099.1	8.6
		II	5180.6	5.9	5187.5	6.7	5156.8	5.4	5188.7	7.2
		III	5237.4	4.5	5241.3	4.2	5227.8	5.6	5280.7	7.3
		IV	5298.1	4.7	5289.7	3.7	5300.4	5.7	5373.7	7.2
	1990	I	5361.9	4.9	5364.3	5.8	5370.5	5.4	5473.8	7.7
		II	5429.6	5.1	5453.8	6.8	5450.5	6.1	5546.9	5.4
		III	5518.1	6.7	5548.8	7.2	5538.9	6.6	5598.4	3.8
		IV	5619.1	7.5	5650.4	7.5	5634.5	7.1	5672.3	5.4
	1991	I	5740.0	8.9			5743.3	8.0		
	1989	Annual	5205.6	7.0	5205.7	7.0	5193.8	6.8	5235.6	7.7
	1990	Annual	5482.2	5.3	5504.3	5.7	5498.6	5.9	5572.9	6.4
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**IV**	**$4029.7**	**2.0%**			**$4029.2**	**2.0%**	**$4029.7**	**2.0%**
Forecast	1989	I	4096.1	6.8	$4079.6	5.1%	4072.0	4.3	4072.7	4.3
		II	4113.4	1.7	4102.2	2.2	4083.0	1.1	4105.0	3.2
		III	4111.6	−0.2	4099.3	−0.3	4097.0	1.4	4132.7	2.7
		IV	4117.5	0.6	4093.6	−0.6	4112.0	1.5	4156.0	2.3
	1990	I	4118.2	0.1	4104.9	1.1	4128.0	1.6	4178.5	2.2
		II	4129.2	1.1	4131.1	2.6	4148.0	2.0	4183.2	0.5
		III	4155.4	2.6	4160.5	2.9	4174.8	2.5	4174.8	−0.8
		IV	4191.7	3.5	4191.9	3.1	4208.0	3.3	4183.1	0.8
	1991	I	4233.6	4.1			4248.0	3.9		
	1989	Annual	4109.7	2.9	4093.7	2.5	4091.0	2.4	4116.6	3.0
	1990	Annual	4148.6	0.9	4147.1	1.3	4164.5	1.8	4179.9	1.5
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**IV**	**124.0**	**5.1%**			**124.0**	**5.1%**	**124.0**	**5.1%**
Forecast	1989	I	124.7	2.3	125.1	4.2%	125.0	3.3	125.2	4.1
		II	125.9	4.2	126.5	4.4	126.3	4.2	126.4	3.9
		III	127.4	4.6	127.9	4.5	127.6	4.2	127.8	4.4
		IV	128.7	4.1	129.2	4.3	128.9	4.1	129.3	4.8
	1990	I	130.2	4.8	130.7	4.6	130.1	3.8	131.0	5.4
		II	131.5	4.0	132.0	4.2	131.4	4.1	132.6	5.9
		III	132.8	4.0	133.4	4.2	132.7	4.0	134.1	4.6
		IV	134.1	3.8	134.8	4.3	133.9	3.7	135.6	4.6
	1991	I	135.6	4.6			135.2	3.9		
	1989	Annual	126.7	4.1	127.2	4.5	127.0	4.3	127.2	4.5
	1990	Annual	132.1	4.3	132.7	4.4	132.0	4.0	133.3	4.8
Unemployment Rate										
Actual	**1988**	**IV**		5.3%		5.3%		5.3%		5.3%
Forecast	1989	I		5.2		5.3		5.3		5.3
		II		5.1		5.3		5.4		5.2
		III		5.1		5.4		5.5		5.2
		IV		5.2		5.8		5.5		5.1
	1990	I		5.4		6.1		5.6		4.9
		II		5.6		6.3		5.7		5.2
		III		5.8		6.2		5.6		5.4
		IV		5.8		6.0		5.6		5.6
	1991	I		5.7				5.5		
	1989	Annual		5.2		5.5		5.4		5.2
	1990	Annual		5.7		6.2		5.6		5.3

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised fourth quarter data.

[2] Based on preliminary fourth quarter data.

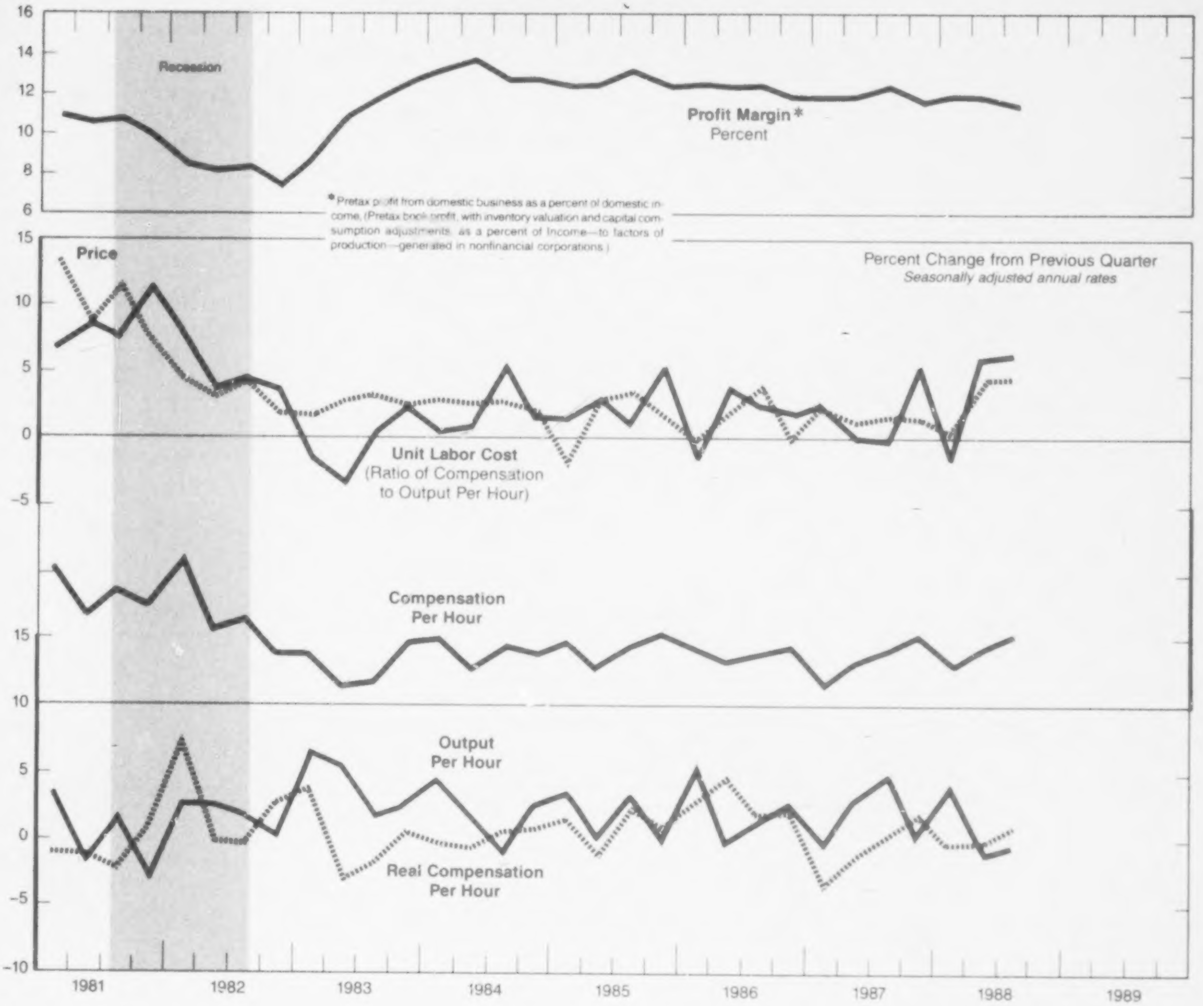
ECONOMIC FORECASTS (continued)

The Conference Board[2]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Jan., 1989		*Feb., 1989*		*Feb., 1989*		*Feb., 1989*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$4995.2	**7.2%**	**$4995.2**	**7.2%**	**$4995.2**	**7.2%**	**IV**	**1988**	**Actual**
$5120.0	10.8%	5110.0	9.5	5087.9	7.6	5106.0	9.2	I	1989	Forecast
5210.0	7.2	5187.9	6.2	5152.5	5.2	5197.2	7.3	II		
5273.0	4.9	5256.6	5.4	5214.9	4.9	5278.4	6.4	III		
5325.0	4.0	5324.4	5.3	5278.6	5.0	5357.4	6.1	IV		
5370.0	3.4	5411.2	6.7	5352.1	5.7	5430.8	5.6	I	1990	
5457.0	6.6	5486.5	5.7	5424.6	5.5	5517.0	6.5	II		
5555.0	7.4	5567.0	6.0	5507.1	6.2	5616.2	7.4	III		
5654.0	7.3	5652.8	6.3	5603.5	7.2	5719.3	7.5	IV		
				5724.0	8.9	5827.5	7.8	I	1991	
5232.0	7.6	5219.7	7.3	5183.5	6.6	5234.8	7.6	Annual	1989	
5509.0	5.3	5529.4	5.9	5471.8	5.6	5570.8	6.4	Annual	1990	
								Gross National Product Billions of Constant (1982) Dollars		
		$4029.7	**2.0%**	**$4029.7**	**2.0%**	**$4029.7**	**2.0%**	**IV**	**1988**	**Actual**
$4086.2	5.8%	4082.4	5.3	4079.6	5.0	4082.5	5.3	I	1989	Forecast
4108.7	2.2	4103.5	2.1	4094.4	1.5	4109.4	2.7	II		
4106.6	-0.2	4117.8	1.4	4103.8	0.9	4125.2	1.5	III		
4096.3	-1.0	4131.9	1.4	4118.2	1.4	4132.6	0.7	IV		
4080.9	-1.5	4153.3	2.1	4130.9	1.2	4141.2	0.8	I	1990	
4097.2	1.6	4170.1	1.6	4149.6	1.8	4161.1	1.9	II		
4120.8	2.3	4190.1	1.9	4174.7	2.4	4195.4	3.3	III		
4142.4	2.1	4214.1	2.3	4210.2	3.4	4232.3	3.6	IV		
				4253.6	4.2	4262.9	2.9	I	1991	
4099.5	2.6	4108.9	2.8	4099.0	2.6	4112.4	2.9	Annual	1989	
4110.3	0.3	4181.9	1.8	4166.4	1.6	4182.5	1.7	Annual	1990	
								Gross National Product deflator Index, 1982 = 100		
		124.0	5.1%	124.0	5.1%	124.0	5.1%	IV	1988	Actual
125.3	4.8%	125.2	4.0	124.7	2.5	125.1	3.6	I	1989	Forecast
126.8	4.9	126.4	4.1	125.8	3.7	126.5	4.6	II		
128.4	5.1	127.7	3.9	127.1	4.0	128.0	4.8	III		
130.0	5.1	128.9	3.8	128.2	3.5	129.6	5.4	IV		
131.6	5.0	130.3	4.5	129.6	4.4	131.1	4.7	I	1990	
133.2	5.0	131.6	4.0	130.7	3.6	132.6	4.5	II		
134.8	4.9	132.9	4.0	131.9	3.7	133.9	3.9	III		
136.5	5.1	134.1	3.9	133.1	3.6	135.1	3.8	IV		
				134.6	4.5	136.7	4.7	I	1991	
127.6	4.9	127.0	4.4	126.5	3.9	127.3	4.6	Annual	1989	
134.0	5.0	132.2	4.1	131.3	3.9	133.2	4.6	Annual	1990	
								Unemployment Rate		
	5.3%		5.3%		5.3%		5.3%	**IV**	**1988**	**Actual**
	5.3		5.3		5.4		5.4	I	1989	Forecast
	5.3		5.3		5.5		5.3	II		
	5.6		5.3		5.5		5.5	III		
	5.9		5.4		5.6		5.8	IV		
	6.2		5.5		5.7		5.9	I	1990	
	6.2		5.6		5.8		6.1	II		
	6.1		5.7		5.8		6.1	III		
	5.9		5.7		5.8		6.0	IV		
					5.7		5.9	I	1991	
	5.5		5.3		5.5		5.5	Annual	1989	
	6.1		5.6		5.8		6.0	Annual	1990	

CBDB

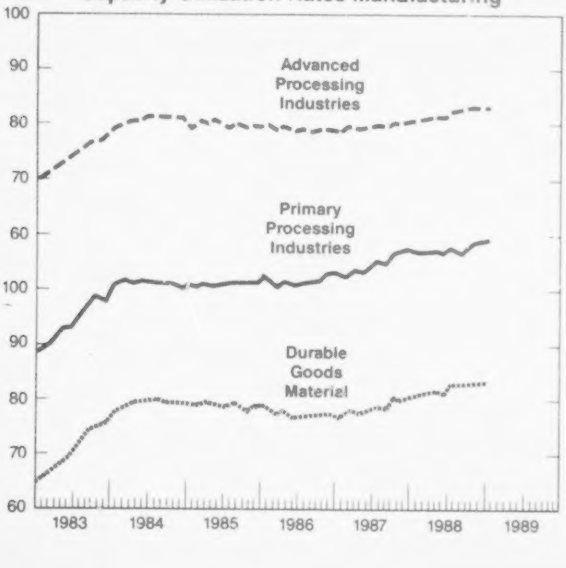
ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

Key Determinants of Profit Margin
Nonfinancial Corporations

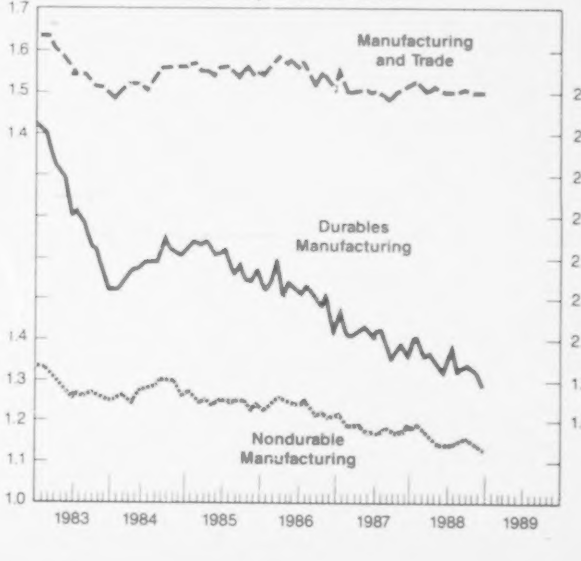


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



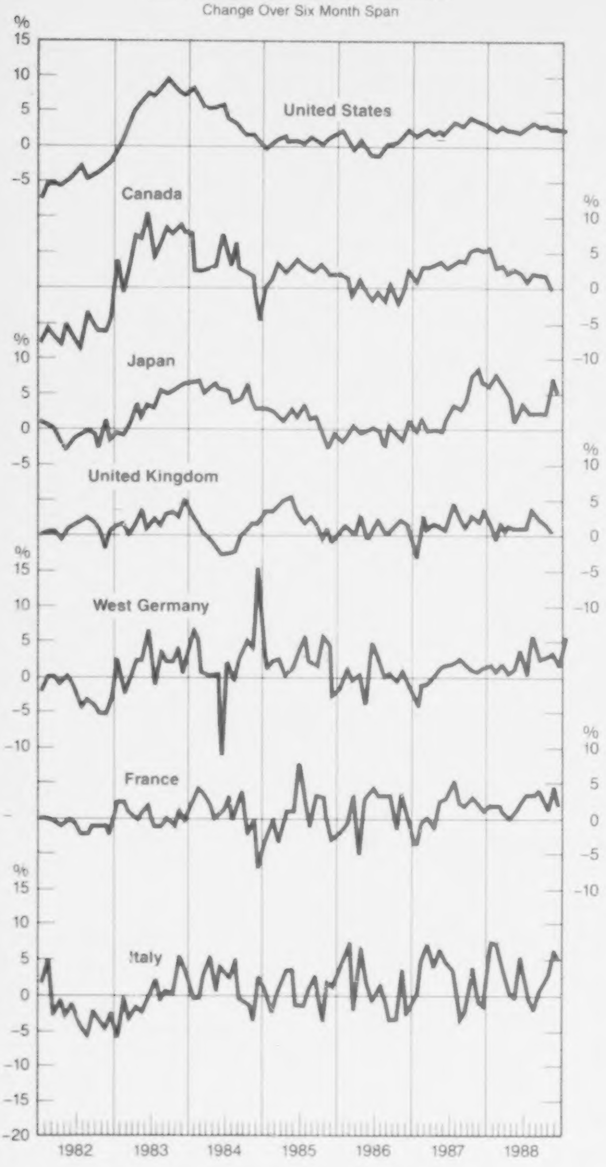
Inventory-Sales Ratios



Selected International Comparisons

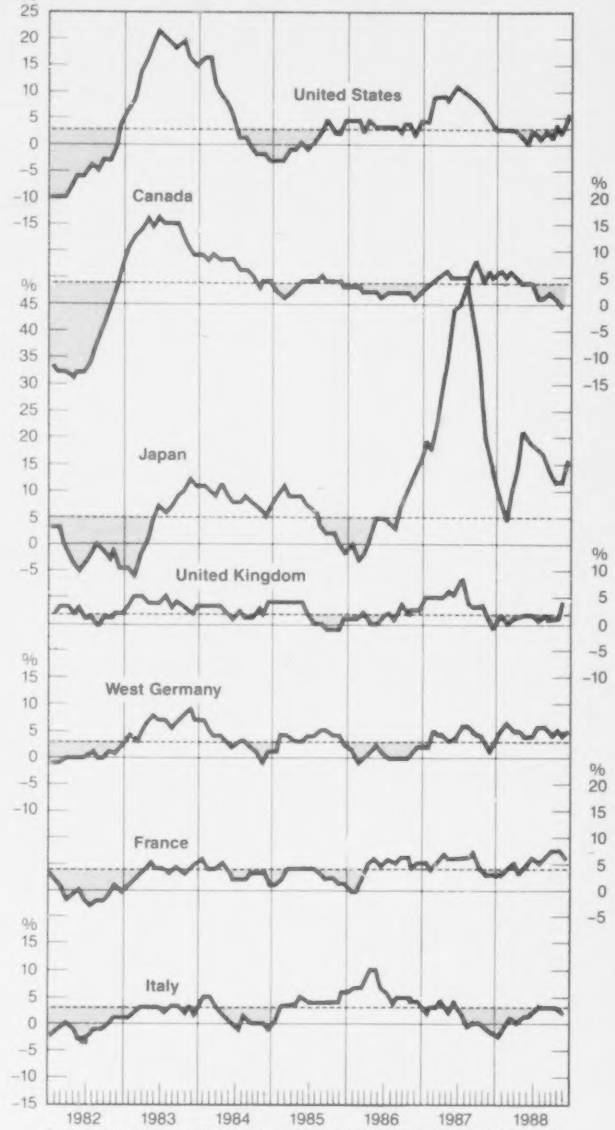
Industrial Production Indexes

Change Over Six Month Span



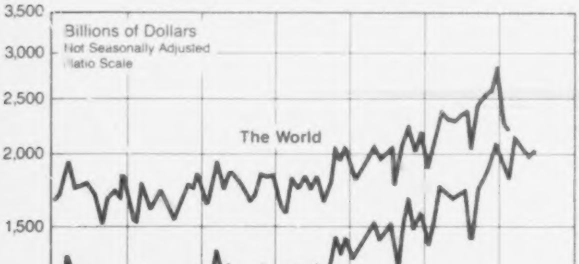
Leading Business Cycle Indexes

Change From Preceding Year

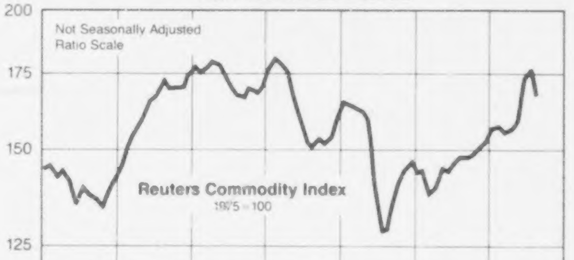


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports



Raw Materials Prices



CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

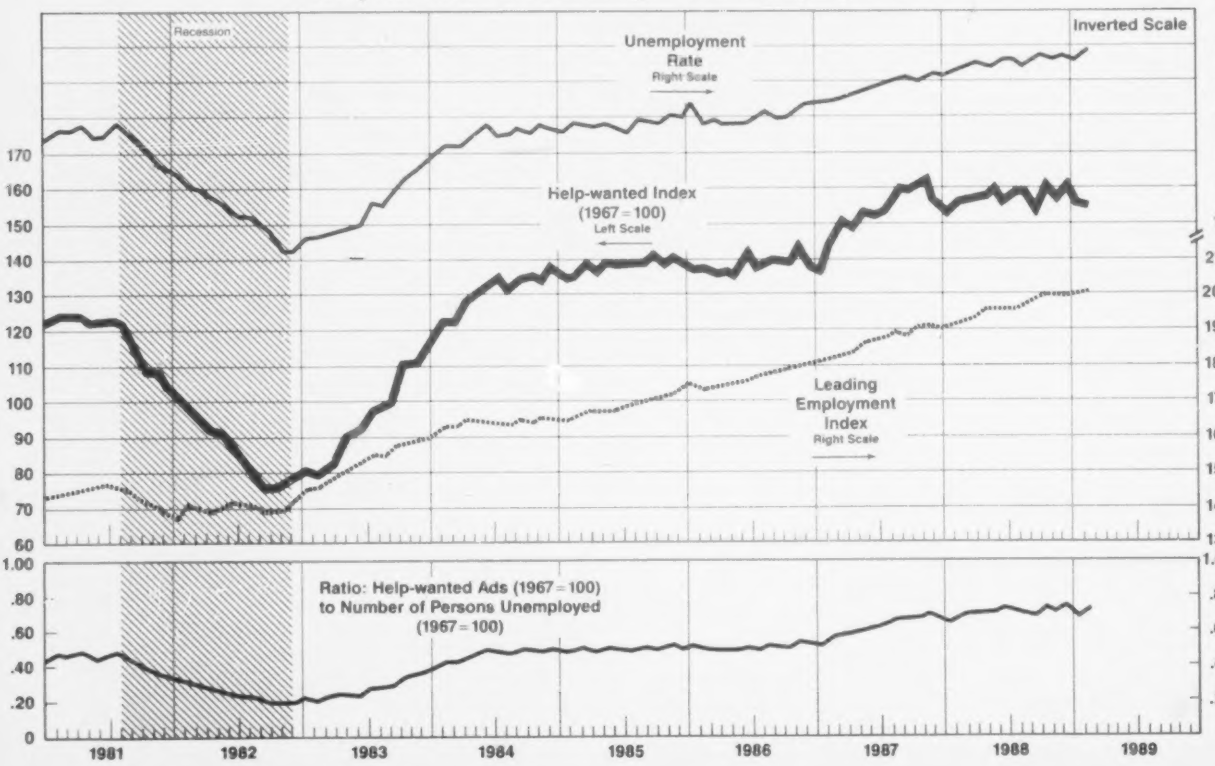
Seasonally Adjusted Indexes, 1967 = 100

Locality	1989 Jan.	1988 Dec.	1988 Nov.	1983 Jan.
National Index	155	161	157	152r
New England	139	138	136	160
Boston	131	128	128	160
Hartford	139	160	149	164
Providence	167	154	153	158
Middle Atlantic	83	86	84	85r
Albany	198	214	208	205
Allentown	360	492	388	307
New York	55	56	55	61
Philadelphia	71	68	70	79r
Pittsburgh	101	94	96	96
Rochester	111	101	105	99
Syracuse	162	162	169	145
East North Central	108	102	105	106r
Chicago	113	105	105	116
Cincinnati	162	146	176	169
Cleveland	76	65r	72	71
Columbus	161	163	169	179
Dayton	100	89	94	89
Detroit	67	61	60	59
Gary	199	198	198	174
Indianapolis	129	131	129	111
Milwaukee	93	103	101	98r
Toledo	133	130	129	129
West North Central	105	98	98	101
Kansas City	144	132	129	166
Minneapolis	91	83	89	79
Omaha	177	171	179	154r
St. Louis	77	74	67	70
South Atlantic	206	233r	219	207
Atlanta	265	262	276	280
Baltimore	224	334	272	208

	1989 Jan.	1988 Dec.	1988 Nov.	1988 Jan.
Charlotte	204	207	204	197
Jacksonville	223	214r	222	227
Miami	162	172	170	163
Richmond	155	138	130	146
Washington, D.C.	N.A.	N.A.	N.A.	195
East South Central	167	174r	176r	156r
Birmingham	183	180	176	166
Knoxville	316	339	321	267
Louisville	N.A	107r	104r	96
Memphis	146	135	134	139
Nashville	164	199	226	174r
West South Central	178	192	186	169
Dallas	142	141	147	153
Houston	251	290	289	226
New Orleans	133	143	126	130
Oklahoma City	126	122	111	121
San Antonio	162	178	153	154
Tulsa	167	158	143	145
Mountain	322	332	337	308
Denver	225	222	216	217
Phoenix	360	441	460	394
Salt Lake City	458	394	399	365
Pacific	264	273	263	246
Los Angeles	174	173	169	170
Sacramento	512	501	484	447
San Bernadino	N.A.	337	340	283
San Diego	672	721	666	614
San Francisco	252	278	262	244
Seattle	277	285	287	233
Percentage of papers with rising volume	55	59r	22	57
Unemployment rate	5.4	5.3	5.4	5.8

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7	116.9	112.9	119.4
1989	115.8r	122.0p										

Expectations Index

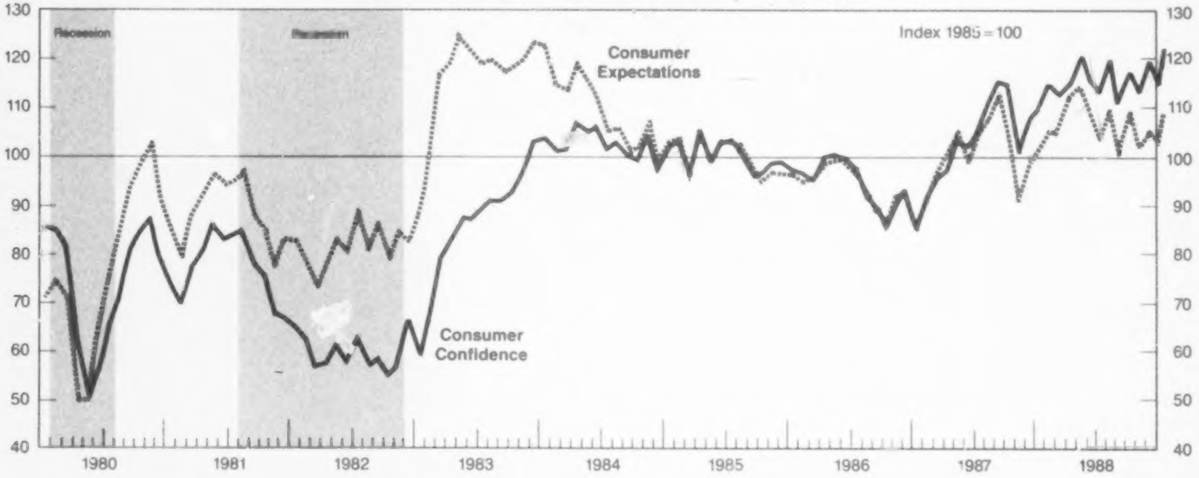
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1	109.3	102.0	105.6
1989	104.1r	109.1p										

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

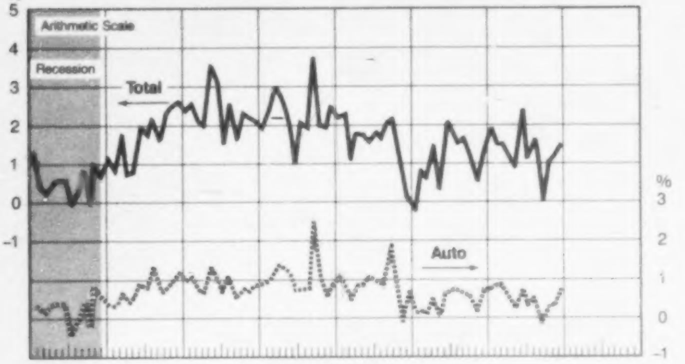
	1987				1988			Percent Change From Previous Year Actual	Estimate
	I-87	II-87	III-87	IV-87	I-88	II-88(r)	III-88(p)	1988	1989
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	21.441	32.257	29.561	35.909	30.846	40.686	39.092	23%	5%
Capital expenditures	20.801	25.933	27.381	29.820	29.412	31.718	33.548	26	18
Change in appropriations backlog*	−0.550	5.460	0.080	3.510	0.650	8.760	5.090		
Durable Goods									
New appropriations	9.746	16.515	17.208	20.245	14.310	20.261	19.907	20	21
Capital expenditures	11.124	14.006	13.970	16.037	15.780	16.910	18.346	26	24
Change in appropriations backlog*	−2.070	2.310	2.930	3.810	−1.600	3.670	1.420		
Nondurable Goods									
New appropriations	11.695	15.742	12.353	15.664	16.536	20.425	19.185	25	−4
Capital expenditures	9.677	11.927	13.411	13.783	13.632	14.808	15.202	26	13
Change in appropriations backlog*	1.520	3.160	−3.010	−0.300	2.250	5.090	3.670		
ELECTRIC & GAS UTILITIES									
New appropriations	6.528	5.605	5.174	6.286	8.083	4.439			
Capital expenditures	7.662	7.072	7.771	6.590	6.857	6.620			
Change in appropriations backlog*	−0.720	−1.610	−2.840	−0.430	1.235	−2.630			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

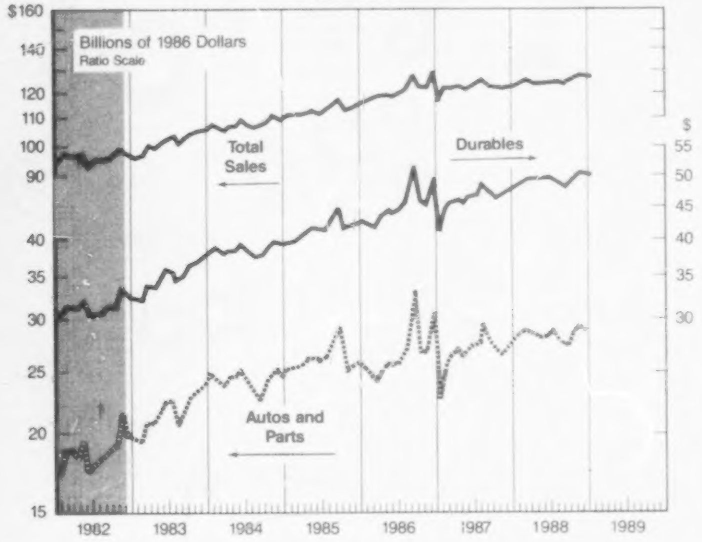
r—revised p—preliminary

* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



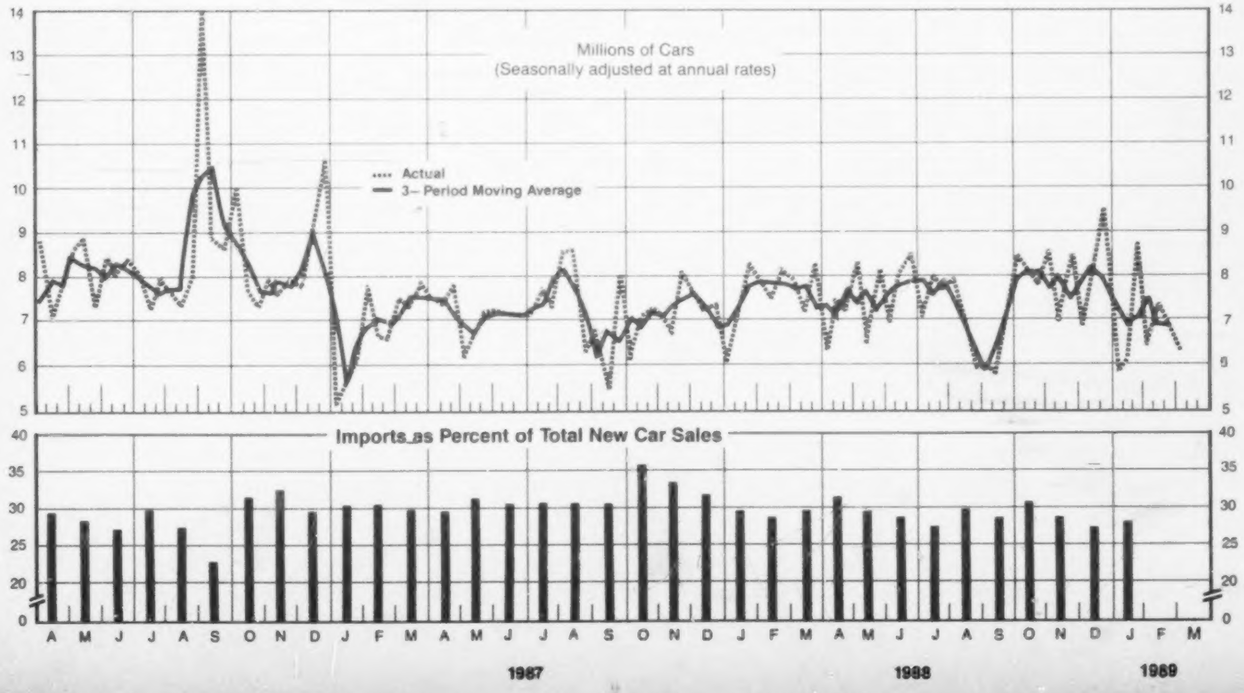
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1986	1987	1988	1989
January:	1-10	8.37	5.15	6.06	5.86
	11-20	8.74	5.52	7.29	6.06
	21-31	8.26	6.13	8.25	8.64
February:	1-10	7.88	7.78	7.83	6.40
	11-20	8.95	6.64	7.44	7.37
	21-28(29)	6.15	6.58	8.17	6.86
March:	1-10	7.69	7.53	7.81	6.32
	11-20	7.57	7.27	7.13	
	21-31	6.52	7.81	8.28	
April:	1-10	8.79	7.48	6.33	
	11-20	7.06	7.34	7.43	
	21-30	7.75	7.76	7.23	
May:	1-10	8.62	6.16	8.36	
	11-20	8.86	6.66	6.53	
	21-31	7.33	7.19	8.12	
June:	1-10	8.48	7.21	6.88	
	11-20	8.04	7.13	8.00	
	21-30	8.39	7.09	8.48	
July:	1-10	8.10	7.10	7.02	
	11-20	7.28	7.68	7.99	
	21-31	7.97	7.29	7.69	
August:	1-10	7.63	8.55	7.95	
	11-20	7.34	8.60	7.01	
	21-31	8.08	6.26	5.92	
September:	1-10	14.00	6.74	5.93	
	11-20	8.83	5.45	5.80	
	21-30	8.62	8.03	7.40	
October:	1-10	10.04	6.13	8.43	
	11-20	7.67	7.10	8.08	
	21-31	7.27	7.24	7.78	
November:	1-10	7.96	7.15	8.55	
	11-20	7.59	6.68	6.97	
	21-30	7.89	8.09	8.46	
December:	1-10	7.75	7.60	6.84	
	11-20	8.77	7.22	8.31	
	21-31	10.68	7.31	9.54	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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STATISTICAL BULLETIN

Highlights

- SLOWER INCOME GROWTH MAY COOL CONSUMER SPENDING; HIGH LENDING RATES CONSTRAIN ALREADY SOFT CAR AND HOME SALES.
- LABOR MARKETS APPEAR TO BE EASING.
- THE PACE OF NEW ORDERS IS SLIPPING.
- INDUSTRIAL OUTPUT GROWTH IS DOWN SLIGHTLY AND CAPACITY UTILIZATION IS LOWER.
- ON THE INFLATION WATCH: PRICE INCREASES HAVE QUICKENED; BUT INFLATIONARY FEARS COULD BEGIN TO EASE SOON.
- OUTLOOK • U.S. ECONOMIC GROWTH WILL MODERATE IN THE SECOND QUARTER AND MAY TURN SLUGGISH THIS SUMMER.

Volume 22, No. 4, April, 1989

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: For months now, the consensus of the Economic Forecasts called for the U.S. economy to begin to weaken in the second quarter of 1989—either of its own accord or in response to successive rounds of interest-rate hikes coupled with minimal money supply growth. That forecast met with skepticism. Indeed, financial markets seemed more preoccupied with prospects of outsized growth that, if sustained, would push inflation out of hand. But now, indications of slower growth are beginning to proliferate: The labor market is still expanding, but at a weaker pace. Consumer spending is subdued, and consumer attitudes are beginning to wilt. Those factors now join the lower growth trends in car and home sales, as well as that of slower-paced exports. To be sure, the expansion continues but seems to be slowing to a more manageable pace, raising the question of whether the system is simply shifting out of third gear to second, or starting a gradual grind to a halt. The former remains the majority view, at least for now.

DOMESTIC MARKET MONITOR

Labor market strength, a very prominent feature of this economy for at least the last eighteen months, is starting to diminish. The fall in construction jobs in February and March might be weather related, but not so the drop in both employment and hours worked in durable-goods manufacturing. Weakening was also evident in the slight uptick in unemployment claims and in the sustained decline in The Conference Board's **Help-wanted Index**, a measure of labor demand. Even so, labor conditions remained strong enough to boost the average hourly pay rate again in March. Thus, even if the labor market is finally beginning to cool off, it may be developing too late to hold down labor cost increases and, therefore, related price rises—and could inspire another round of interest-rate hikes.

INCOME: Wages in commodity-producing industry were 1.3% higher in February than three months earlier. That pace is considerably slower than the end-of-year gain. Wages in the "other industry" category, however, were 2.7% higher—no change in trend. Despite a gain in average hourly pay rates in the industrial sector in March, the lack of any gain in employment and/or hours worked that month suggests the rise in wage income probably slowed again.

Nonwage income gains are rising very rapidly, with no signs of tempering. Interest income is rising sharply, but the gain in shopkeepers' income is even stronger. The uptrend in both prices and interest rates is likely to keep nonwage income growth on a very rapidly rising curve, at least for the next several months.

Historically, rising consumer income is associated with increases in borrowing. The present is no exception. The rate of new consumer borrowing, whether auto loans or revolving charge activity, is relatively strong right now. If wage income growth begins to falter, though, the pace of new borrowing may slow in the coming months.

Consumer attitudes may also move lower, albeit slowly, over the next few months. Bolstered by hiring and pay gains, The Conference Board's **Consumer Confidence Index** stood at 120.7 (1985 = 100) in February—close to its all-time peak—but dipped to 117.7 in March. The Expectations Component, however, was down to 105 in March, considerably below its peak level of last May. If hiring and pay gains continue to cool, especially while inflation inches higher, consumer attitudes may soften over the spring and early summer.

SPENDING: With one exception, consumer spending growth is still fairly vigorous. Total retail sales, except cars, were 0.9% higher in February than three months earlier. And durable-good sales, except cars, were fully 2.2% higher. One reason industrial conditions have been so strong of late is the continued uptrend in consumer demand. But if income, borrowing, and attitudes all weaken over the next few months, as expected, so will household buying.

Car buying has gone from flat to declining. Despite promotional campaigns, new domestic **Automobile Sales**, fell to a seasonally adjusted 6.9 million annual rate in March, from a lackluster 7 million rate in February. And with interest rates likely to go even higher, car sales are very unlikely to recover soon.

CONSTRUCTION: Higher interest rates are also likely to keep home buying mired in a deep slump. The decline in single-family home sales in February offset increases in the prior two months—weather may explain these gyrations. The trend is flat sales, contributing to the backlog of unsold homes and weaker construction activity. Permits to build new single-unit housing were almost 6% lower in February than three months earlier. Moreover, both construction employment and hours worked declined in March.

Business investment is one area where signs of cooling are not in evidence. Nonresidential construction is still rising. Office and commercial, but not industrial, building increased sharply in early 1989. So did public building, including work on roads and other infrastructure. Given that the aggregate level of residential construction is much larger than nonresidential, the overall impact on the economy of strong business spending on physical plant is limited.

PRODUCTION: Concern about rapid industrial expansion fueling more inflation should diminish. Industrial

Ken Goldstein, Editor

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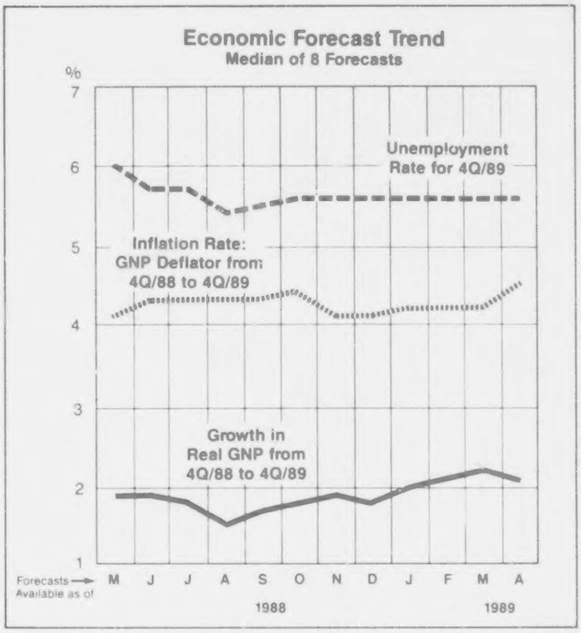


output growth is cooling somewhat: Total industrial production was only 0.9% higher in February than three months earlier. Defense- and space-related output dropped by 0.9 percent. Durable-goods output was 1.8% higher, while that of business equipment was 2.6% higher. The lack of any increase in jobs or hours worked in March suggests that industrial output probably grew modestly, at best, that month.

The combination of a little slower growth in industrial output and continued increases in capacity, the other side of the big surge in capital investment over the last two years, has helped ease the strain on capacity. Total capacity utilization dipped from 84.5% in January to 84.3% in February. The magnitude of change is rather limited. But the fact that utilization has stopped rising could dampen concern about overheating.

Slower growth in industrial output appears to be the beginning of a trend, not an aberration. New orders for durable goods, except for defense-related materiel, were only 0.8% higher in February than three months earlier. Still, the ratio of new orders to shipments, another measure of the strength in industrial conditions, was 5.2% higher in February than three months earlier. That suggests the surge in orders in December and January just as suddenly ended in February, leaving producers with a backlog of unfilled orders but a slower pace of incoming orders. That might signal a moderating pace in production over the next few months.

INVENTORY: Producers have been slow to build inventory, partly because of concern about the sustainability of rising demand so late in the expansion and partly because of the level of short-term interest rates. Total inventory, except cars at the retail level, was 1.8% higher in January than three months earlier. Yet, the Inventory-to-Sales ratios were lower in January than last Autumn. Inventory almost certainly continued to rise through March as producers attempted to keep stocks in line with final sales.

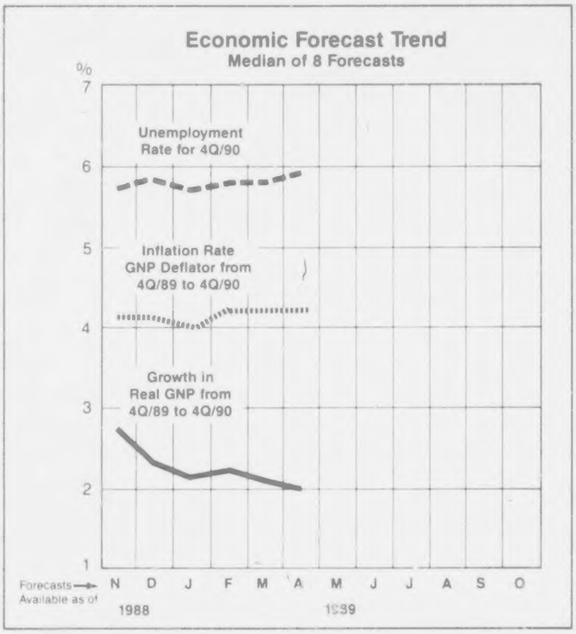
INFLATION: More price hikes are in the pipeline. As noted earlier, labor costs are rising. Nonlabor costs are also going up: Oil prices were up in the first few months of this year, as were raw metal prices. Meanwhile, farm prices were 2.8% higher in March than three months earlier. But wholesale prices for raw material, except food and energy, were unchanged in February, after a whopping 2.2% rise in January. If the economy is indeed beginning to grow more slowly, the inflation threat will lessen.

INTERNATIONAL MONITOR

Strong domestic industrial conditions are pulling in imports and widening the merchandise trade deficit. In January, imports of raw and semi-finished industrial material were 10.8% higher than three months earlier. Capital goods imports were 6.6% higher, no doubt reflecting the strength of domestic business investment. But imports of cars and parts were 10.8% lower; imports of other consumer goods were 0.5% lower. With consumer spending on durable goods still strong, at least through February, durable imports probably rose that month.

Export growth has clearly tailed off. Despite a 20% rise in exports of consumer goods, other than cars and parts, over the last three months, total exports actually declined slightly. Exports of cars and parts as well as capital goods fell over this period. Given an upward trend in industrial production and other leading indicators for Europe and Japan (see the **Selected International Comparisons** chart), export growth will probably resume.

Ken Goldstein
April 11, 1989

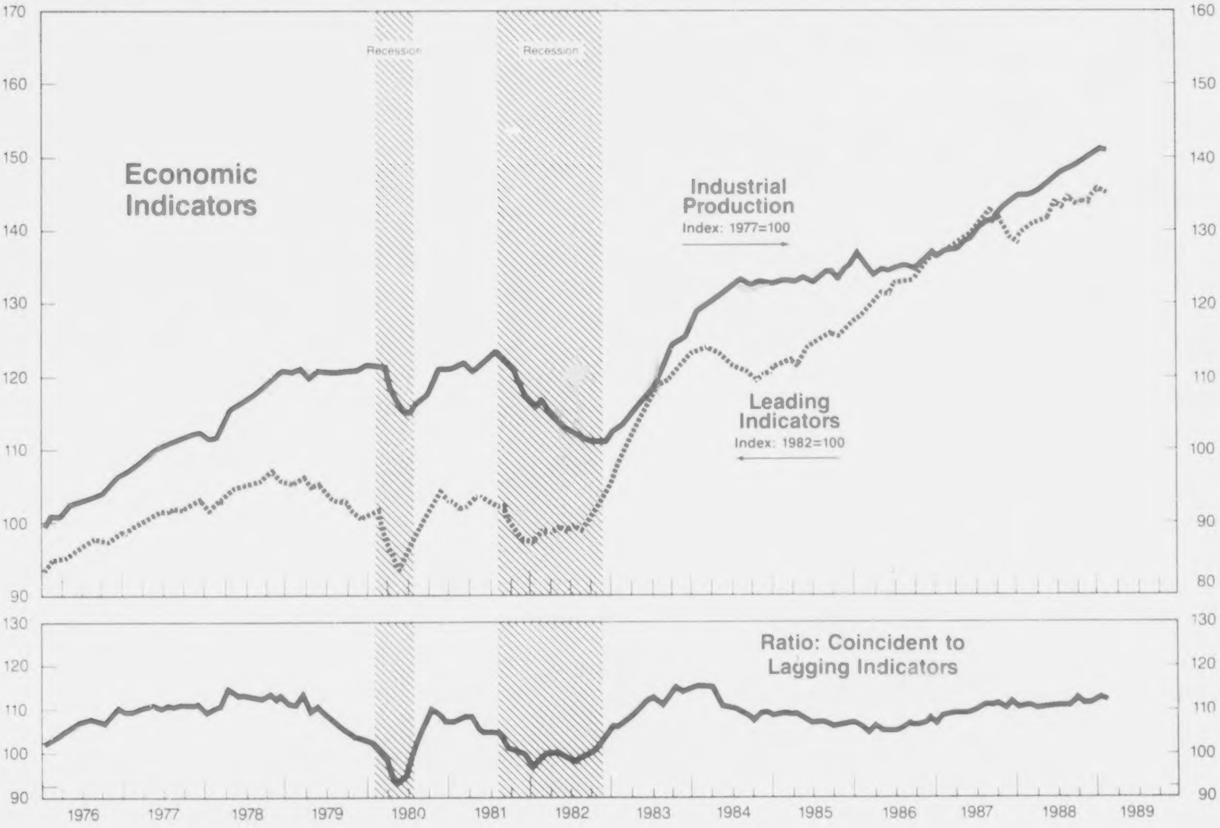


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Feb.	X			0.9%	3.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Feb.			X	– 0.6%	1.2%
New orders, nondefense capital goods (deflated)	Feb.			X	– 0.9%	2.7%
New business formation	Feb.	X			3.7%	2.9%
*Housing permits	Feb.			X	– 6.7%	– 1.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Feb.			X	– 1.6%	3.6%
*Change in unfilled orders, mfg.	Feb.	X			39.3%	36.4%
Purchasing manager's buying policy	Mar.		X		– 5.9%	– 9.4%
*Vendor performance, reported slower deliveries	Feb.	X			3.3%	–13.3%
Industrial raw materials prices	Mar.	X			5.5%	14.5%
*Change in sensitive material prices	Feb.	X			168.0%	179.2%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Feb.			X	– 0.9%	– 0.7%
Change in business loans	Feb.	X			385.2%	2.7%
*Consumer expectations	Feb.	X			2.9%	8.4%
Change in consumer installment debt	Feb.		X		– 9.6%	–16.3%
Profitability						
Total corporate profits, after tax (deflated)	4th Q	X			1.3%	16.9%
*Common stock prices	Mar.	X			5.6%	9.9%
Marginal Employment Adjustments						
*Average workweek, mfg.	Mar.		X		0.1hr	0.0hr
*Initial unemployment claims (inverted)	Feb.			X	– 2.0%	3.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



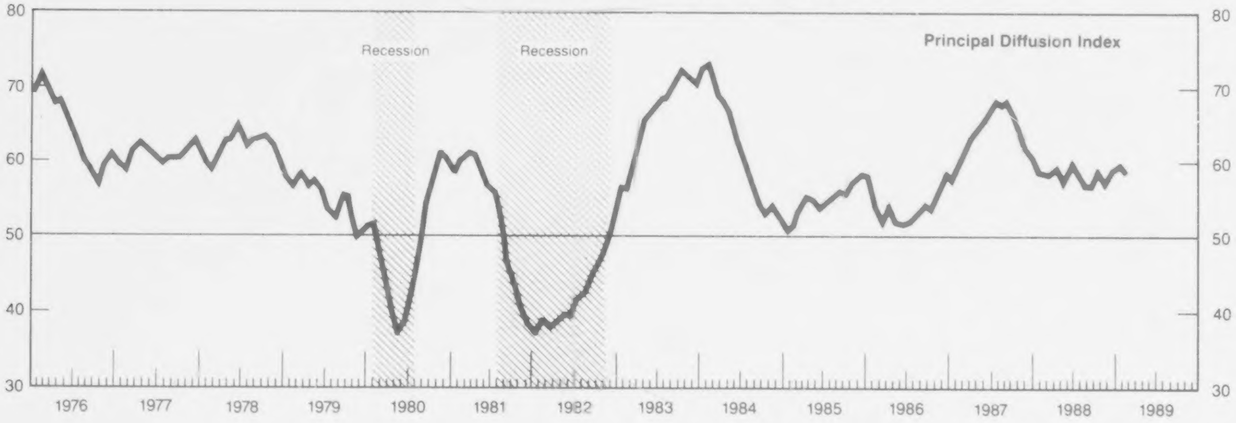
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1988 Feb.(r)	1988 Nov.(r)	1988 Dec.(r)	1989 Jan.(r)	1989 Feb.(e)
Principal Diffusion Index	58.4	56.9	58.9	59.9	58.8
Auxiliary Diffusion Index	48.4	42.7	56.4	53.4	46.4
Industrial Group	60.0	56.8	55.8	56.4	56.0
Nonindustrial Group	56.9	57.1	62.0	63.5	61.7
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	62.8	65.8	61.1	67.5	73.1
Labor	56.4	53.1	51.0	52.1	51.2
Miscellaneous	64.7	52.6	59.6	50.6	42.3
Nonindustrial Subgroups					
Prices	60.9	37.2	45.5	53.2	60.9
Consumer	65.0	64.1	64.1	64.5	65.0
Building	51.6	55.1	61.9	67.9	57.7
Miscellaneous	49.6	64.5	70.9	66.2	61.5

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985 Nov.	1986 Feb.	1986 May	1986 Aug.	1986 Nov.	1987 Feb.	1987 May	1987 Aug.	1987 Nov.	1988 Feb.	1988 May	1988 Aug.
	Score (scale 0-100)											
Measure of Business Confidence	55	61	61	50	51	55	55	59	47	51	58	56
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	53	63	61	44	50	56	55	62	50	49	64	65
2. Expectations for Economy, Six Months Ahead	56	62	62	52	51	54	53	56	43	50	54	51
3. Expectations for Own Industry, Six Months Ahead	56	59	60	54	53	56	56	58	48	54	55	53

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Mar., 1989*		*Mar., 1989*		*Mar., 1989*		*Mar., 1989*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**IV**	**$4999.7**	**7.6%**	**$4999.7**	**7.6%**	**$4999.7**	**7.6%**	**$4999.7**	**7.6%**
Forecast	1989	I	5088.2	7.3	5126.9	10.6	5120.0	10.0	5116.0	9.6
		II	5180.2	7.4	5224.1	7.8	5207.0	7.0	5201.0	6.8
		III	5208.3	2.2	5291.9	5.3	5277.0	5.5	5293.5	7.3
		IV	5230.1	1.7	5351.4	4.6	5343.0	5.1	5387.1	7.3
	1990	I	5277.2	3.7	5429.5	6.0	5393.0	3.8	5471.9	6.4
		II	5352.2	5.8	5520.5	6.9	5452.0	4.4	5545.5	5.5
		III	5451.8	7.7	5620.7	7.5	5509.0	4.2	5592.7	3.4
		IV	5557.1	8.0	5725.6	7.7	5595.0	6.4	5665.1	5.3
	1991	I	5670.0	8.4			5690.0	7.0		
	1989	Annual	5176.7	6.4	5248.6	7.9	5236.8	7.7	5249.4	7.9
	1990	Annual	5409.6	4.5	5574.1	6.2	5487.3	4.8	5568.8	6.1
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**IV**	**$4033.4**	**2.4%**	**$4033.4**	**2.4%**	**$4033.4**	**2.4%**	**$4033.4**	**2.4%**
Forecast	1989	I	4068.7	3.5	4080.4	4.7	4080.0	4.7	4083.0	5.0
		II	4102.9	3.4	4102.8	2.2	4100.0	2.0	4105.0	2.2
		III	4070.1	–3.2	4100.0	–0.3	4110.0	1.0	4132.3	2.7
		IV	4044.8	–2.5	4093.4	–0.6	4116.0	0.6	4156.7	2.4
	1990	I	4036.0	–0.9	4105.0	1.1	4117.0	0.1	4167.5	1.0
		II	4056.9	2.1	4130.7	2.5	4124.0	0.7	4172.7	0.5
		III	4095.9	3.9	4159.8	2.8	4130.0	0.6	4164.3	–0.8
		IV	4139.3	4.3	4191.0	3.0	4157.0	2.6	4174.7	1.0
	1991	I	4182.3	4.2			4187.0	2.9		
	1989	Annual	4071.6	1.9	4094.2	2.5	4101.5	2.6	4119.3	3.1
	1990	Annual	4082.0	0.3	4146.6	1.3	4132.0	0.7	4169.8	1.2
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**IV**	**124.0**	**5.1%**	**124.0**	**5.1%**	**124.0**	**5.1%**	**124.0**	**5.1%**
Forecast	1989	I	125.1	3.6	125.6	5.6	125.5	5.0	125.3	4.4
		II	126.3	3.9	127.3	5.5	127.0	4.9	126.7	4.5
		III	128.0	5.5	129.1	5.6	128.4	4.5	128.1	4.5
		IV	129.3	4.3	130.7	5.2	129.8	4.5	129.6	4.8
	1990	I	130.8	4.6	132.3	4.8	131.0	3.7	131.3	5.3
		II	131.9	3.6	133.6	4.2	132.2	3.7	132.9	5.0
		III	133.1	3.6	135.1	4.5	133.4	3.6	134.3	4.3
		IV	134.3	3.5	136.6	4.5	134.6	3.7	135.7	4.2
	1991	I	135.6	4.0			135.9	3.9		
	1989	Annual	127.1	4.5	128.2	5.3	127.7	4.9	127.4	4.7
	1990	Annual	132.5	4.2	134.4	4.8	132.8	4.0	133.6	4.8
Unemployment Rate										
Actual	**1988**	**IV**		5.3%		5.3%		5.3%		5.3%
Forecast	1989	I		5.3		5.2		5.2		5.2
		II		5.2		5.3		5.3		5.1
		III		5.4		5.4		5.4		5.0
		IV		5.7		5.8		5.5		4.9
	1990	I		6.1		5.9		5.6		5.1
		II		6.3		6.1		5.7		5.5
		III		6.4		6.1		5.8		5.7
		IV		6.3		6.0		5.7		5.8
	1991	I		6.2				5.6		
	1989	Annual		5.4		5.4		5.4		5.1
	1990	Annual		6.3		6.0		5.7		5.5

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) fourth quarter data.

[2] Based on revised fourth quarter data.

ECONOMIC FORECASTS (continued)

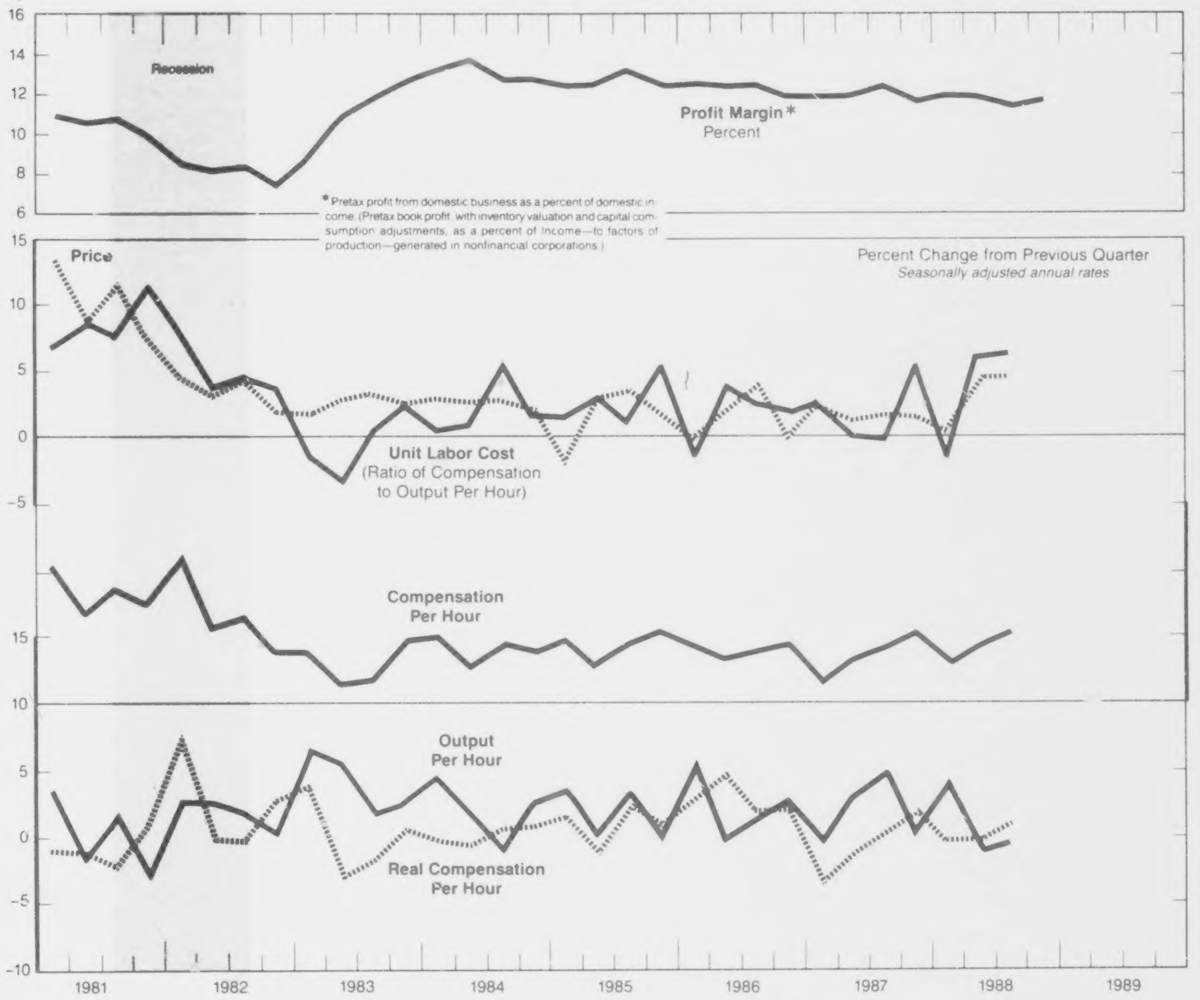
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Mar., 1989		*Mar., 1989*		*Mar., 1989*		*Mar., 1989*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4999.7	**7.6%**	**$4999.7**	**7.6%**	**$4999.7**	**7.6%**	**$4999.7**	**7.6%**	**IV**	**1988**	**Actual**
5129.0	10.8	5111.4	9.2	5111.4	9.3	5114.1	9.5	I	1989	Forecast
5212.0	6.6	5184.3	5.8	5186.1	5.9	5201.4	7.0	II		
5270.0	4.5	5250.3	5.2	5246.6	4.7	5281.9	6.3	III		
5307.0	2.8	5316.6	5.1	5315.4	5.3	5351.0	5.3	IV		
5348.0	3.1	5397.9	6.3	5390.5	5.8	5423.3	5.5	I	1990	
5436.0	6.7	5469.1	5.4	5466.8	5.8	5511.0	6.6	II		
5542.0	8.0	5551.7	6.2	5541.6	5.6	5609.6	7.4	III		
5651.0	8.1	5637.5	6.3	5641.1	7.4	5714.7	7.7	IV		
				5763.9	9.0	5823.7	7.9	I	1991	
5229.5	7.5	5215.7	7.2	5215.0	7.2	5237.1	7.7	Annual	1989	
5494.3	5.1	5514.1	5.7	5510.0	5.7	5564.7	6.3	Annual	1990	
								Gross National Product Billions of Constant (1982) Dollars		
$4033.4	**2.4%**	**$4033.4**	**2.4%**	**$4033.4**	**2.4%**	**$4033.4**	**2.4%**	**IV**	**1988**	**Actual**
4086.9	5.4	4085.8	5.3	4081.7	4.9	4085.5	5.3	I	1989	Forecast
4100.7	1.4	4104.5	1.8	4099.6	1.8	4109.1	2.3	II		
4098.0	–0.3	4118.2	1.3	4103.9	0.4	4123.6	1.4	III		
4082.3	–1.5	4133.1	1.5	4120.2	1.6	4131.2	0.7	IV		
4070.0	–1.2	4151.7	1.8	4130.0	1.0	4138.0	0.7	I	1990	
4090.3	2.0	4167.1	1.5	4147.0	1.7	4159.5	2.1	II		
4120.4	3.0	4190.7	2.3	4162.6	1.5	4193.1	3.3	III		
4149.9	2.9	4216.4	2.5	4197.6	3.4	4231.8	3.7	IV		
				4239.8	4.1	4263.6	3.0	I	1991	
4092.0	2.4	4110.4	2.9	4101.4	2.6	4112.4	2.9	Annual	1989	
4107.7	0.4	4181.5	1.7	4159.3	1.4	4180.6	1.7	Annual	1990	
								Gross National Product deflator Index, 1982 = 100		
124.0	5.1%	124.0	5.1%	124.0	5.1%	124.0	5.1%	IV	1988	Actual
125.5	5.1	125.1	3.7	125.2	4.2	125.2	4.0	I	1989	Forecast
127.1	5.2	126.3	3.9	126.5	4.1	126.6	4.6	II		
128.6	4.8	127.5	3.8	127.8	4.3	128.1	4.8	III		
130.0	4.4	128.6	3.6	129.0	3.7	129.5	4.6	IV		
131.4	4.4	130.0	4.4	130.5	4.8	131.1	4.8	I	1990	
132.9	4.6	131.2	3.8	131.8	4.1	132.5	4.4	II		
134.5	4.9	132.5	3.8	133.1	4.0	133.8	4.0	III		
136.2	5.1	133.7	3.8	134.4	3.8	135.0	3.8	IV		
				135.9	4.7	136.6	4.7	I	1991	
127.8	5.0	126.9	4.2	127.1	4.5	127.3	4.6	Annual	1989	
133.7	4.7	131.9	3.9	132.5	4.2	133.1	4.5	Annual	1990	
								Unemployment Rate		
	5.3%		**5.3%**		**5.3%**		**5.3%**	**IV**	**1988**	**Actual**
	5.2		5.2		5.2		5.3	I	1989	Forecast
	5.3		5.3		5.3		5.3	II		
	5.5		5.3		5.4		5.5	III		
	6.1		5.4		5.6		5.8	IV		
	6.3		5.5		5.7		6.0	I	1990	
	6.3		5.6		5.8		6.1	II		
	6.1		5.7		5.9		6.1	III		
	5.9		5.7		5.9		5.9	IV		
					5.9		5.8	I	1991	
	5.5		5.3		5.4		5.5	Annual	1989	
	6.2		5.6		5.9		6.0	Annual	1990	

CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

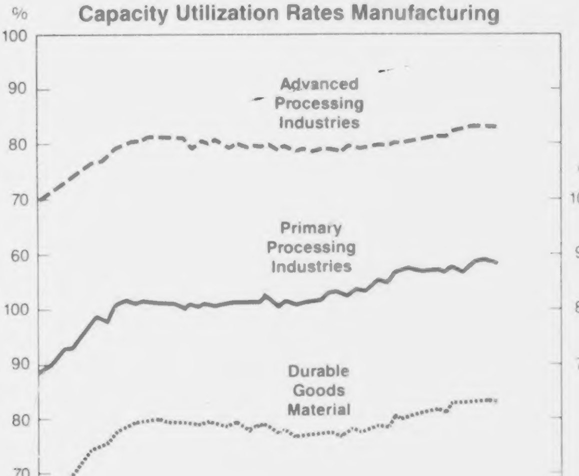
Key Determinants of Profit Margin

Nonfinancial Corporations

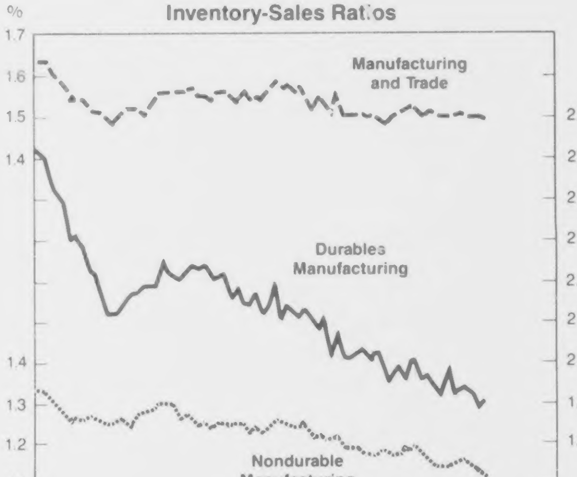


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



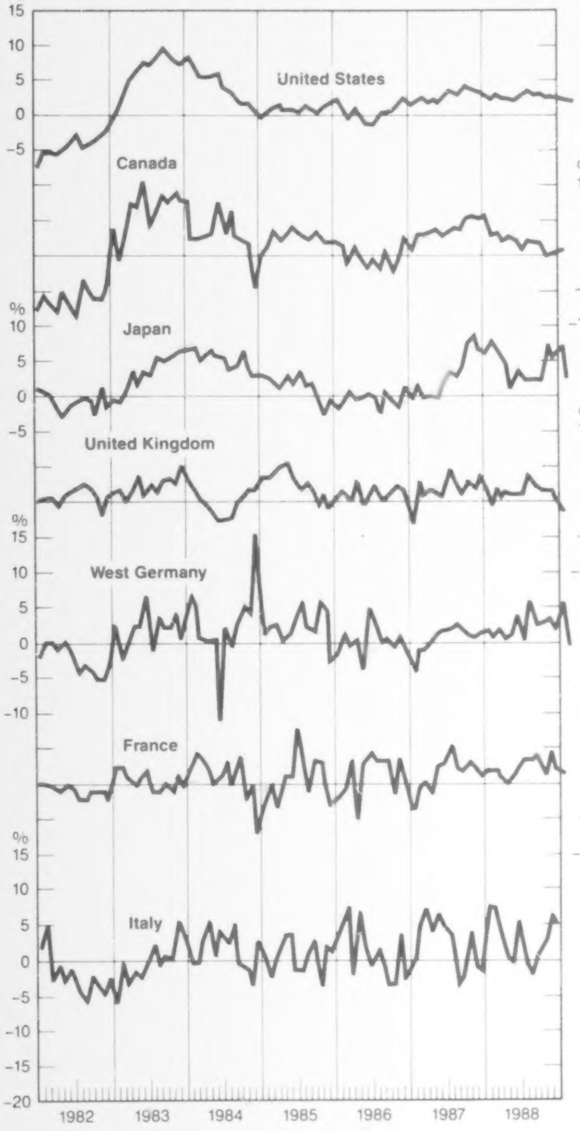
Inventory-Sales Ratios



Selected International Comparisons

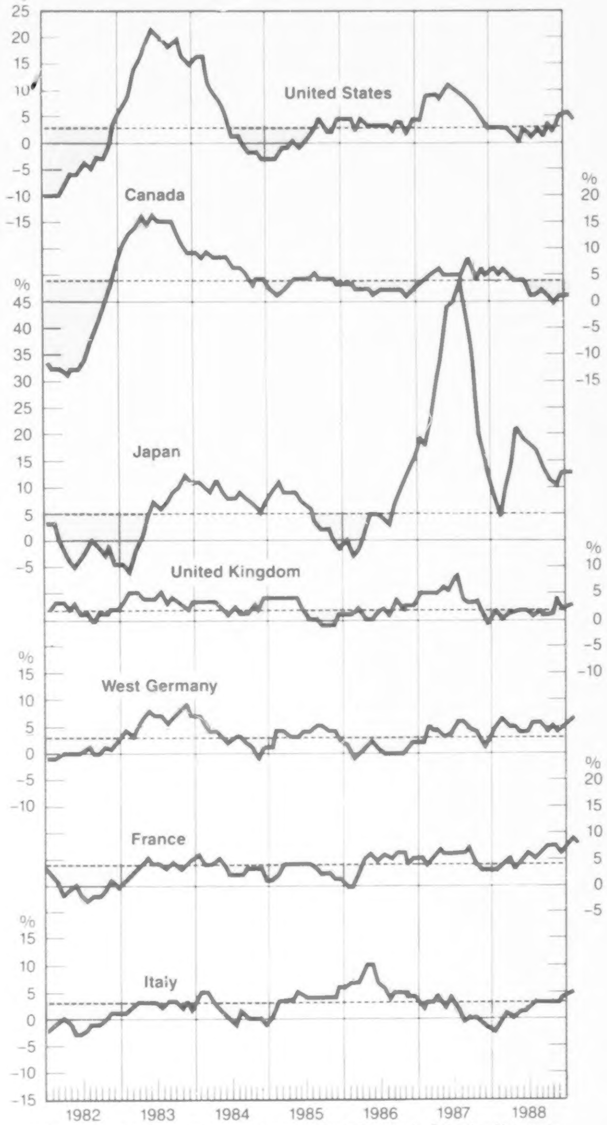
Industrial Production Indexes

Change Over Six Month Span



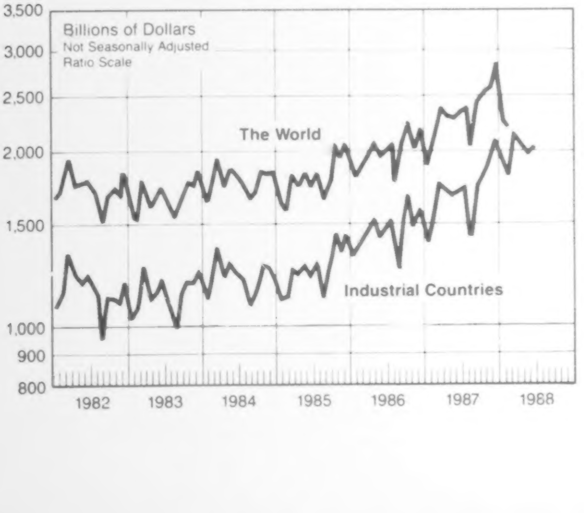
Leading Business Cycle Indexes

Change From Preceding Year

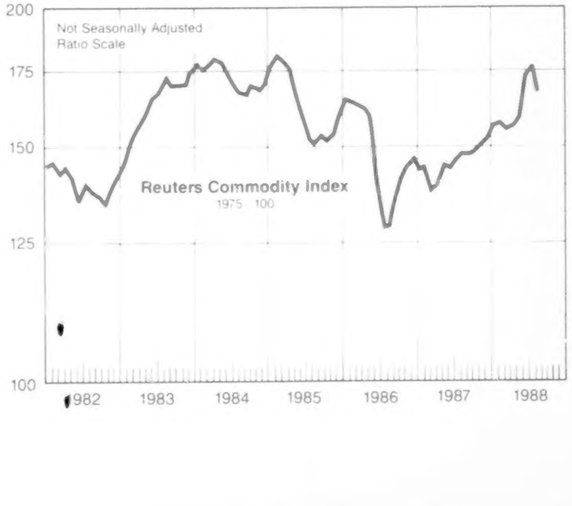


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports



Raw Materials Prices



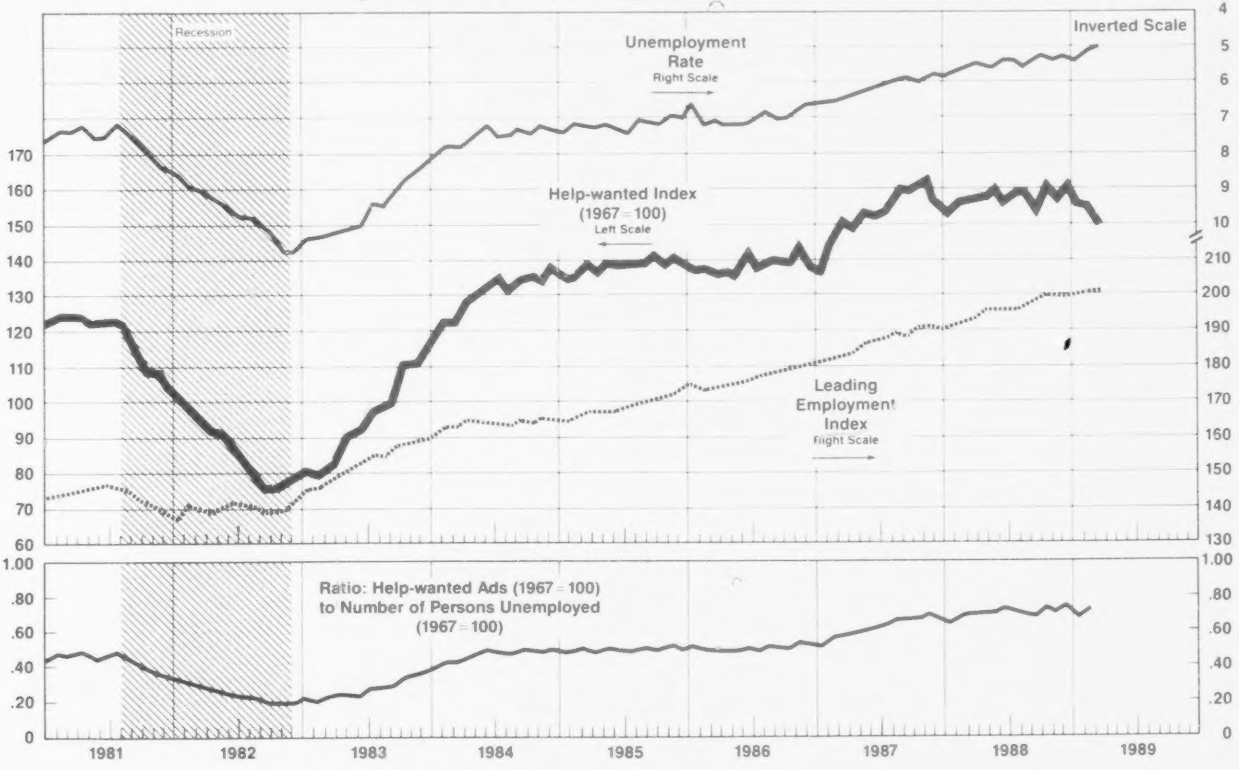
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1989 Feb.	1988 Jan.	1988 Dec.	1988 Feb.
National Index	155	155	161	155r
New England	131	139	138	168
Boston	126	131	128	161
Hartford	129	139	160	181
Providence	149	167	154	179
Middle Atlantic	83	83	86	89r
Albany	195	198	214	221
Allentown	375	360	492	383
New York	56	55	56	63
Philadelphia	68	71	68	78r
Pittsburgh	101	101	94	95
Rochester	115	111	101	98
Syracuse	161	162	162	142
East North Central	107	108	102	105
Chicago	111	113	105	116
Cincinnati	168	162	146	167
Cleveland	76	76	65	70
Columbus	173	161	163	171
Dayton	94	100	89	91
Detroit	63	67	61	54
Gary	205	199	198	178
Indianapolis	134	129	131	113r
Milwaukee	90	93	103	91r
Toledo	133	133	130	141
West North Central	102	105	98	99r
Kansas City	138	144	132	149
Minneapolis	91	91	83	85
Omaha	174	177	171	151r
St. Louis	71	77	74	69
South Atlantic	201	206	233	210
Atlanta	250	269	262	261
Baltimore	215	224	334	224
Charlotte	211	204	207	209
Jacksonville	226	223	214	234r
Miami	170	162	172	165r
Richmond	147	155	138	147
Washington, D.C.	N.A.	N.A.	N.A.	201r
East South Central	169	167	174	160
Birmingham	188	183	180	178
Knoxville	320	316	339	277
Louisville	104	102r	107	97r
Memphis	138	146	135	140
Nashville	173	164	199	174
West South Central	190	178	192	183
Dallas	133	142	141	168
Houston	300	251	290	261
New Orleans	137	133	143	126
Oklahoma City	120	126	122	119
San Antonio	150	162	178	147
Tulsa	163	167	158	140
Mountain	325	322	332	308
Denver	211	225	222	205
Phoenix	394	360	441	398
Salt Lake City	448	458	394	381
Pacific	263	262r	273	248
Los Angeles	173	174	173	172
Sacramento	492	512	501	445
San Bernardino	307	300r	337	300r
San Diego	666	672	721	595
San Francisco	273	252	278	251
Seattle	260	277	285	229
Percentage of papers with rising volume	41	55	59	55r
Unemployment rate	5.1	5.4	5.3	5.7

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977)
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7	116.9	112.9	119.4
1989	115.8	120.7r	117.4r	116.3p								

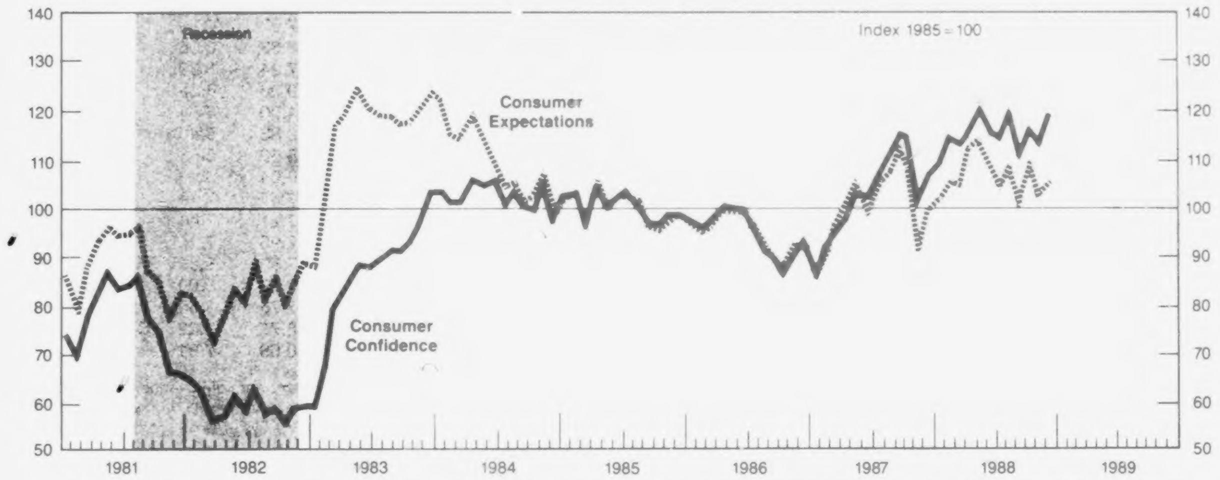
Expectations Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1	109.3	102.0	105.6
1989	104.1	108.3r	104.9r	101.2p								

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r-revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

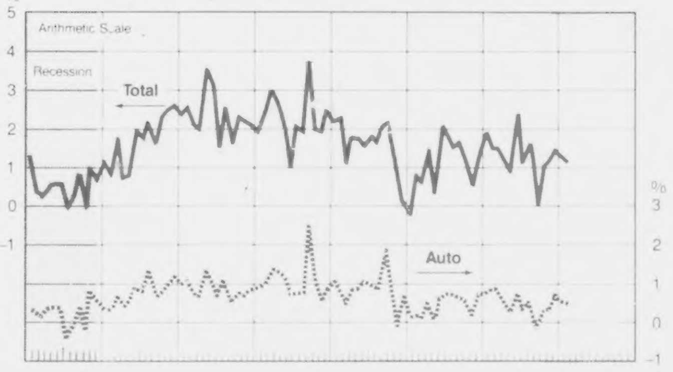
	1987				1988			Percent Change From Previous Year Actual	Estimate
	I-87	II-87	III-87	IV-87	I-88	II-88(r)	III-88(p)	1988	1989
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	21.441	32.257	29.561	35.909	30.846	40.686	39.092	23%	5%
Capital expenditures	20.801	25.933	27.381	29.820	29.412	31.718	33.548	26	18
Change in appropriations backlog*	-0.550	5.460	0.080	3.510	0.650	8.760	5.090		
Durable Goods									
New appropriations	9.746	16.515	17.208	20.245	14.310	20.261	19.907	20	21
Capital expenditures	11.124	14.006	13.970	16.037	15.780	16.910	18.346	26	24
Change in appropriations backlog*	-2.070	2.310	2.930	3.810	-1.600	3.670	1.420		
Nondurable Goods									
New appropriations	11.695	15.742	12.353	15.664	16.536	20.425	19.185	25	-4
Capital expenditures	9.677	11.927	13.411	13.783	13.632	14.806	15.202	26	13
Change in appropriations backlog*	1.520	3.160	-3.010	-0.300	2.250	5.090	3.670		
ELECTRIC & GAS UTILITIES									
New appropriations	6.528	5.605	5.174	6.286	8.083	4.439			
Capital expenditures	7.662	7.072	7.771	6.590	6.857	6.620			
Change in appropriations backlog*	-0.720	-1.610	-2.840	-0.430	1.235	-2.630			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

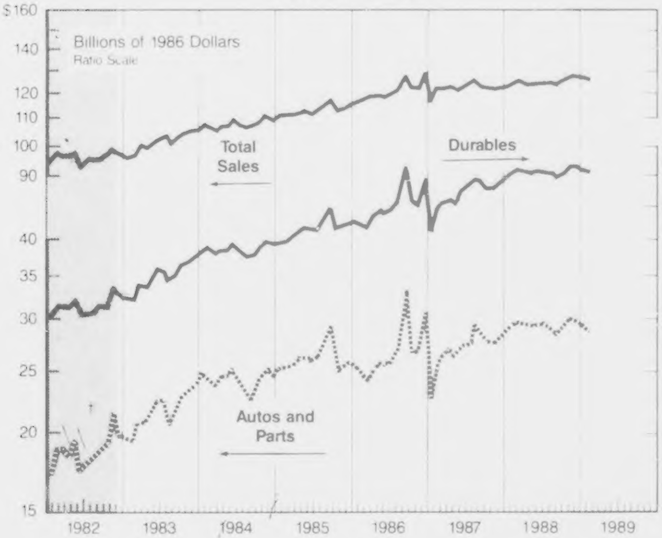
r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



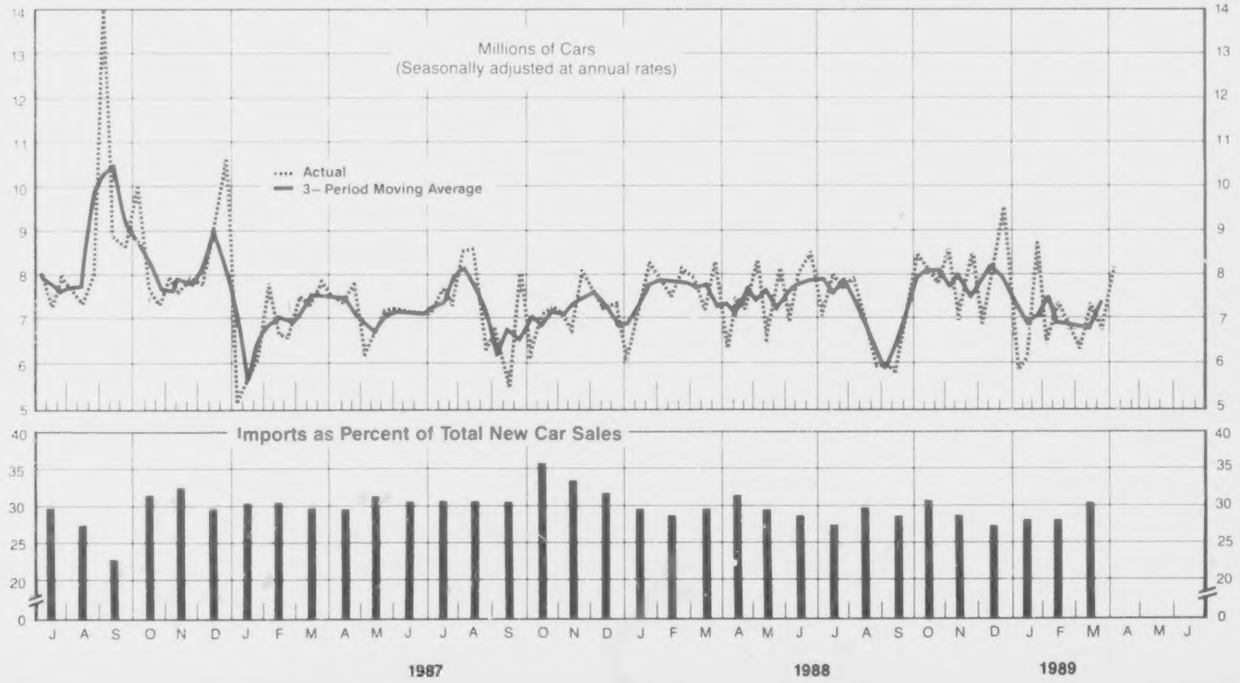
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1986	1987	1988	1989
January:	1-10	8.37	5.15	6.06	5.86
	11-20	8.74	5.52	7.29	6.06
	21-31	8.26	6.13	8.25	8.64
February:	1-10	7.88	7.78	7.83	6.40
	11-20	8.95	6.64	7.44	7.37
	21-28(29)	6.15	6.58	8.17	6.86
March:	1-10	7.69	7.53	7.81	6.32
	11-20	7.57	7.27	7.13	7.28
	21-31	6.52	7.81	8.28	6.74
April:	1-10	8.79	7.48	6.33	8.18
	11-20	7.06	7.34	7.43	
	21-30	7.75	7.76	7.23	
May:	1-10	8.62	6.16	8.36	
	11-20	8.86	6.66	6.53	
	21-31	7.33	7.19	8.12	
June:	1-10	8.48	7.21	6.88	
	11-20	8.04	7.13	8.00	
	21-30	8.39	7.09	8.48	
July:	1-10	8.10	7.10	7.02	
	11-20	7.28	7.68	7.99	
	21-31	7.97	7.29	7.69	
August:	1-10	7.63	8.55	7.95	
	11-20	7.34	8.60	7.01	
	21-31	8.08	6.26	5.92	
September:	1-10	14.00	6.74	5.93	
	11-20	8.83	5.45	5.80	
	21-30	8.62	8.03	7.40	
October:	1-10	10.04	6.13	8.43	
	11-20	7.67	7.10	8.08	
	21-31	7.27	7.24	7.78	
November:	1-10	7.96	7.15	8.55	
	11-20	7.59	6.68	6.97	
	21-30	7.89	8.09	8.46	
December:	1-10	7.75	7.60	6.84	
	11-20	8.77	7.22	8.31	
	21-31	10.68	7.31	9.54	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



STATISTICAL BULLETIN

RU105-3
6/28/89

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Acquisitions
Statistical ReferenceIndex
4520 East West Highway - Suite 800
Bethesda, MD 20814

Highlights

- RISING INCOME COULD BOLSTER CONSUMER SPENDING; BUT HIGH LENDING RATES WILL CONSTRAIN ALREADY SOFT CAR AND HOME SALES.
- LABOR MARKET SIGNALS ARE DECIDEDLY MIXED.
- THE PACE OF NEW ORDERS HAS FALLEN SHARPLY.
- INDUSTRIAL OUTPUT GROWTH IS MODERATING AND CAPACITY UTILIZATION RATES HAVE STABILIZED.
- ON THE INFLATION WATCH: FURTHER ACCELERATION IS NOT WIDELY ANTICIPATED.
- OUTLOOK • U.S. ECONOMIC GROWTH WILL BE MODERATE IN THE SECOND QUARTER. IT MAY NOT SLOW FURTHER THIS SUMMER.

Volume 22, No. 5, May, 1989

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The U.S. economy appears to be cooling off but the expansion may remain at a moderate pace through the third quarter. Real GNP rose at a seasonally adjusted annual rate of 5.2% in the first quarter of 1989. Eliminating the staggered impact of weather-induced farm losses reduces the non-farm economy's growth rate down to 3%, or to about the trend over the last year and a half. The question, then, is whether the economy is slowing from that pace to closer to 2½%, or less. The consensus of the **Economic Forecasts** is that 2½% growth arrived in the second quarter. Rumbling from the Federal Reserve suggest little desire to move interest rates higher, since the economy is responding appropriately to earlier hikes. And there are some clear indications in the data that growth is slowing. An alternative scenario, however, could develop as there are also signs that the expansion may continue to move full steam ahead.

DOMESTIC MARKET MONITOR

Labor market activity continues to send mixed signals. The unemployment rate jumped to 5.3% in April, given a somewhat meager gain in new hiring. But the length of the work week grew, so that total hours rose fairly strongly. These data may reflect inappropriate seasonal adjustment. Nevertheless, they do indicate a degree of tightness in labor conditions. So does The Conference Board's **Help-wanted Index**, which has been in a rather narrow range for the last 18 months. It dropped below that range in March, but early returns to the April survey suggest that this measure of labor demand reverted to about its February level. It is clear that labor costs are still escalating, which suggests we may not have seen the last of higher CPI numbers—nor, perhaps, of higher interest rates.

INCOME: Of course, more hours worked and higher pay per hour mean consumers have more spending power. Wages in commodity-producing industry were 2.9% higher in March than three months earlier. That represents a fair amount of acceleration from the pace at the end of last year. Wages in the "other industry" category were 2.3% higher—no real change in trend. And with higher average hourly pay rates in April, consumer spending power undoubtedly continued to rise sharply in that month.

Rising spending power growth typically goes in tandem with higher borrowing. Now is no exception. Through March, consumer use of revolving credit rose quite sharply. Total consumer borrowing would have been even stronger, if car sales had not been so sluggish. Elsewhere, there is no slowing in borrowing activity.

The message in consumer attitude surveys is loud and clear: Job and pay gains are perceived to be very strong right now. The Conference Board's **Consumer Confidence Index** stood at 116.3 in April —about the same as at the start of the year. The **Expectations Component**, however, stood at 101.2 in April, compared to 104.1 in January. Consumer attitudes may soften, but it is remarkable how strong they remain at this late date in the very long expansion.

SPENDING: Consumer spending has been sluggish while income growth remains strong and attitudes remain confident. Total retail sales, except cars, were only 0.3% higher in March than three months earlier. The weakness was in sales of durable goods. In fact, sales of building materials and hardware were 6% lower in March than three months earlier. Consumer spending is expected to grow more slowly but the sluggish numbers in March may turn out to be more of an aberration than the start of that cooling.

Car buying has remained sluggish, at best, throughout the current model year. New domestic **Automobile Sales** quickened to a seasonally adjusted 7.6 million annual rate in April, up from a lackluster 7 million rate over the prior two months. But even that progress required extended promotional campaigns.

CONSTRUCTION: Home building remains mired in a prolonged slump. In fact, new single-family home sales were lower in February and March than any time since the end of 1987. But prices for these new homes were 4.1% higher in March than three months earlier, despite slower sales. Indeed, price escalation may be contributing to slow sales and holding down the construction pace. Single-unit housing starts were 13% lower in March than three months earlier.

In contrast, nonresidential construction is surging ahead. Office, commercial, and industrial building were all substantially higher in March than three months earlier. Moreover, results from The Conference Board's survey of **Capital Appropriations and Expenditures** in the fourth quarter of 1988 showed that executives expected total business investment in new plant and equipment to continue to outpace overall economic growth through 1989.

PRODUCTION: While consumer spending power shows some momentum, actual spending has been rising more slowly, and industrial output growth has subsided a little. The output of consumer-durable goods was actually 0.5% lower in March than three months earlier. Total industrial production was 0.4% higher, a slower pace than that of late 1988. Defense- and space-related output was 0.9% lower, no change in trend. Business equipment was 1.8% higher. Business investment, then, is now the main source of the strength in industrial conditions, though export growth is also lending support.

Ken Goldstein, Editor

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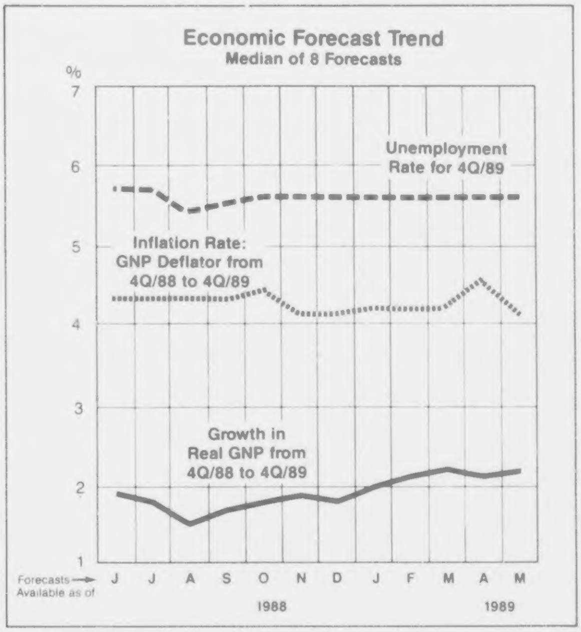


The combination of a little slower growth in industrial output and steady increases in capacity, the result of a now two-year surge in capital investment, is easing the strain on capacity. The total capacity utilization rate has not budged since the beginning of the year.

Industrial output growth is moderating but is not likely to drop off sharply over the next few months. New orders for durable goods, except for defense-related materiel, were fully 5.8% lower in March than three months earlier. But, the ratio of new orders to shipments, another measure of the strength in industrial conditions, was 6.7% higher in March than three months earlier. Thus, while new orders are falling, producers have a backlog to work off. Also, consumer spending on durable goods may rebound a bit, given the current rise in consumer spending power.

Business sentiment is softening as well. The Conference Board's **Measure of Business Sentiment** dropped to 48 (on a scale of 0 to 100) in the first quarter, from a reading of 56 in the third quarter of 1988. But keep in mind that business executives said, in the Capital Appropriations and Expenditure survey, that they are planning to continue strong capital investment in 1989, for the third consecutive year.

INVENTORY: Intended inventory growth is likely to be minimal, given concern about economic cooling and the elevated level of short-term borrowing rates. The concern, then, is over unintended inventory buildup. To date this has not developed. Total inventory, except cars, at the retail level, was 1.7% higher in March than three months earlier, because sales only rose by 0.3 percent. But the Inventory-to-Sales ratios only rebounded to last October's level—or before the already thin margins began to drop. And with industrial output growth moderating, inventory build up is unlikely to reach worrisome levels any time soon.

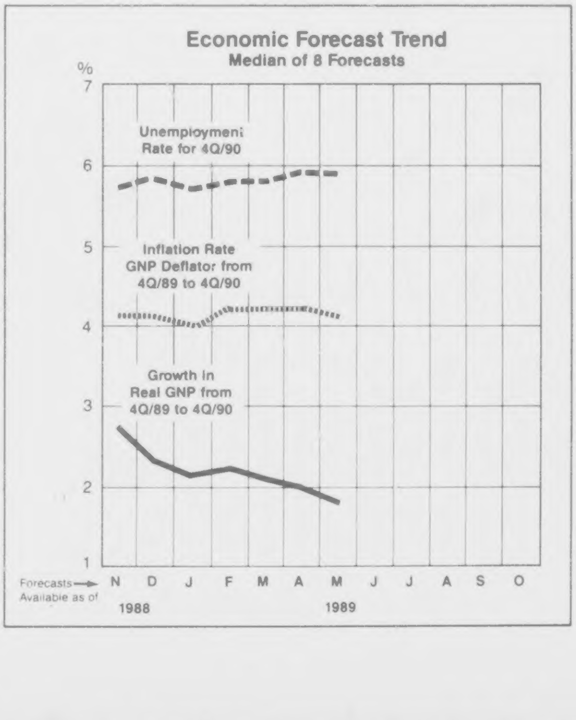
INFLATION: Rising labor costs remain the prime concern on the inflation front. Nonlabor cost increases have slowed. Indeed, prices of raw commodities were no higher in April than in March. Moreover, wholesale prices for raw materials, except food and energy, declined by 1.1% in April. The consensus of the **Economic Forecasts** is that the CPI is now rising at about a seasonally adjusted 5% annualized rate and will stay there through the first quarter of 1990, when it will begin to subside a little.

INTERNATIONAL MONITOR

Slower growth in consumer spending on durables has also helped limit the rise in imports. Total imports of manufactured goods were only 1% higher in March than three months earlier. Specifically, sluggish overall car sales helped to produce a 3.7% drop in imports of cars and parts. Another big factor in the drop in imports was a 25% reduction in imports of aircraft. Still, if consumer spending on durable goods picks up a little, there may be some rise in total imports, slowing the recent progress on narrowing the trade deficit.

In contrast, exports of manufactured goods have taken off. Total exports of manufactured goods was 16.3% higher in March than three months earlier. Exports of cars and parts were 14.2% higher. But exports of consumer goods, except cars and parts, have also been rising sharply. The leading indicators of some of the U.S. major trading partners have been rising for some time (see the **Selected International Comparisons** chart). That degree and dispersion of growth has lead to the rise in exports, narrowing the trade deficit but also probably lending support to a higher dollar in international exchange markets.

Ken Goldstein
May 15, 1989

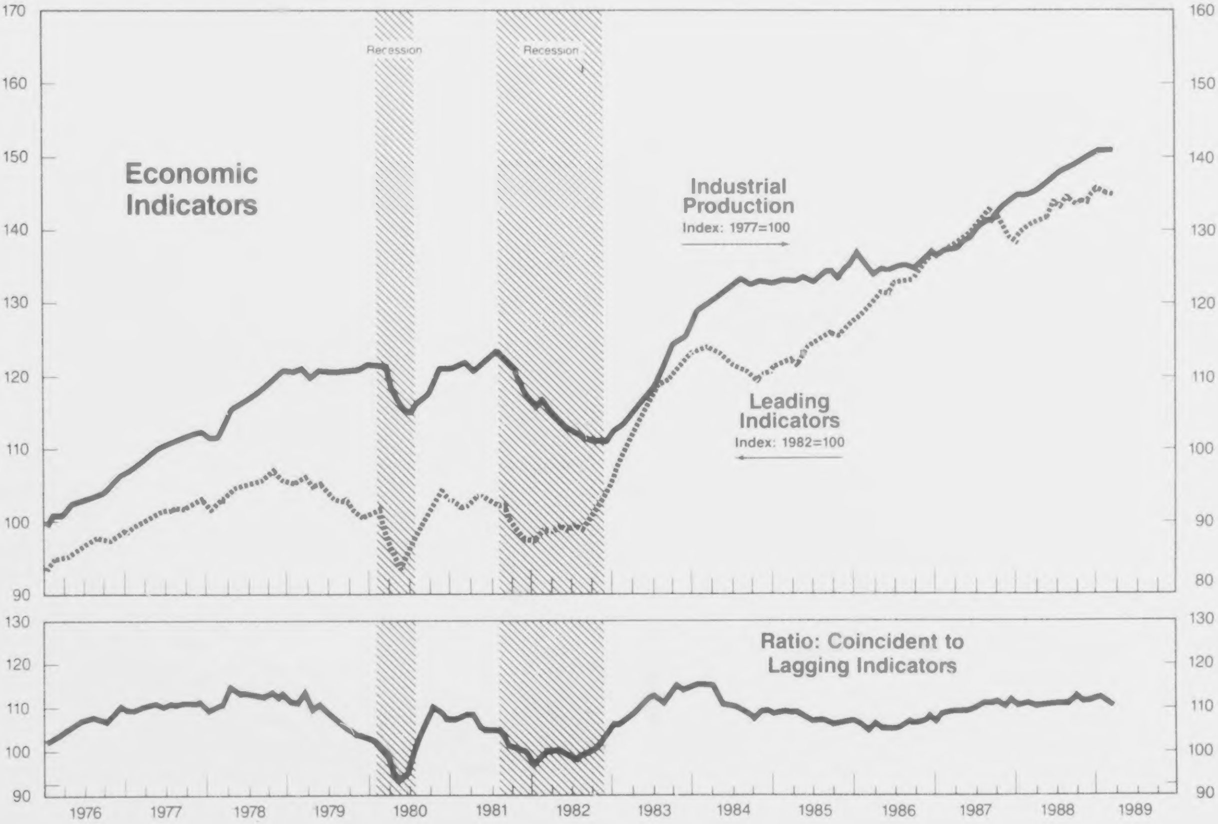


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
			(Classification based on movement of series over several months)			
Leading Economic Indicators	Mar.		X		-- 0.3%	2.6%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Mar.		X		– 1.5%	14.3%
New orders, nondefense capital goods (deflated)	Mar.		X		– 2.1%	16.0%
New business formation	Mar.	X			2.0%	2.1%
*Housing permits	Mar.			X	–21.5%	–16.7%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Mar.			X	– 8.0%	– 0.1%
*Consumer expectations	Mar.		X		6.6%	86.2%
Purchasing manager's buying policy	Apr.	X			8.5%	10.9%
*Vendor performance, reported slower deliveries	Mar.			X	– 2.7%	–10.0%
Industrial raw materials prices	Apr.	X			3.3%	12.8%
*Change in sensitive material prices	Mar.	X			135.0%	184.8%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Mar.			X	– 1.1%	– 1.2%
Change in business loans	Mar.			X	– 19.8%	241.6%
*Change in unfilled orders, mfg.	Mar.		X		2.5%	2.8%
Change in consumer installment debt	Feb.		X		– 9.6%	–16.3%
Profitability						
Total corporate profits, after tax (deflated)	4th.Q	X			1.3%	16.9%
*Common stock prices	Mar.	X			5.9%	10.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.	X			0.2hr	0.1hr
*Initial unemployment claims (inverted)	Mar.			X	– 5.6%	– 5.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators.* (Washington. D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1988 Mar.(r)	1988 Dec.	1989 Jan.	1989 Feb.	1989 Mar.(e)
Principal Diffusion Index	57.7	59.1r	60.1r	55.1r	54.8
Auxillary Diffusion Index	46.0	56.1r	53.2r	33.6r	49.0
Industrial Group	59.3	55.8	56.4	51.3r	52.1
Nonindustrial Group	56.2	62.5r	63.8r	58.8r	57.4
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	62.4	61.1	67.5	62.8r	63.2
Labor	56.5	51.0	52.1	48.1r	46.3
Miscellaneous	61.5	59.6	50.6	42.3	50.0
Nonindustrial Subgroups					
Prices	57.7	45.5	53.2	60.9	60.3
Consumer	65.0	65.0r	65.4r	60.7r	56.4
Building	51.9	61.9	67.9	57.7	56.4
Miscellaneous	49.1	71.8r	66.7	56.4r	57.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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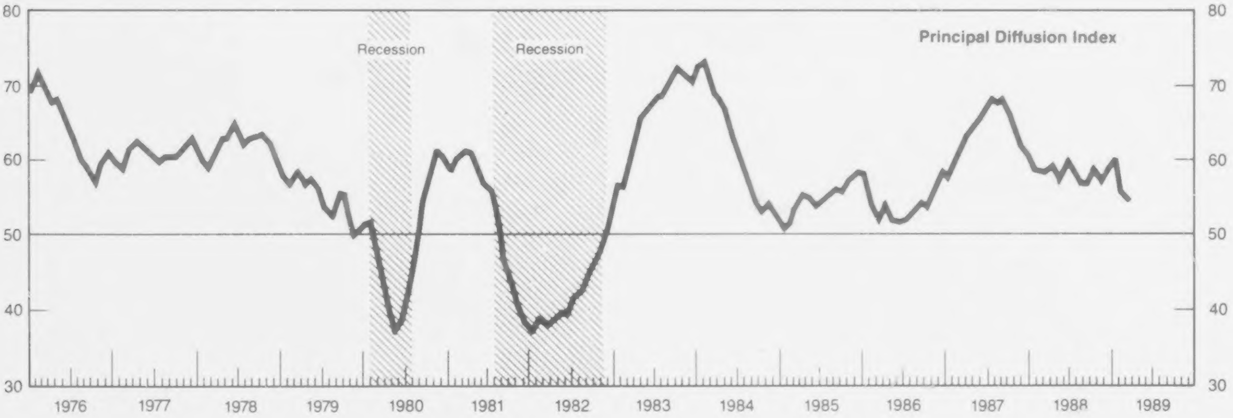
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1986			*1987*				*1988*				*1989*
	May	***Aug.***	***Nov.***	***Feb.***	***May***	***Aug.***	***Nov.***	***Feb.***	***May***	***Aug.***	***Nov.***	***Feb***
	Score (scale 0-100)											
Measure of Business Confidence	61	50	51	55	55	59	47	51	58	56	51	48
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	61	44	50	56	55	62	50	49	64	65	54	52
2. Expectations for Economy, Six Months Ahead	62	52	51	54	53	56	43	50	54	51	48	43
3. Expectations for Own Industry, Six Months Ahead	60	54	53	56	56	58	48	54	55	53	51	48

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Apr., 1989*		*Apr., 1989*		*Apr., 1989*		*Apr., 1989*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1989**	**I**			**$5116.8**	**9.7%**	**$5116.8**	**9.7%**	**$5116.8**	**9.7%**
Forecast	1989	II	$5185.9	7.6%	5210.5	7.5	5207.4	7.3	5208.3	7.3
		III	5220.9	2.7	5276.7	5.2	5276.4	5.4	5303.8	7.5
		IV	5252.0	2.4	5338.8	4.8	5341.6	5.0	5388.3	6.5
	1990	I	5305.2	4.1	5418.7	6.1	5400.5	4.5	5471.9	6.4
		II	5392.0	6.7	5510.9	7.0	5460.8	4.5	5475.1	0.2
		III	5499.1	8.2	5605.0	7.0	5525.1	4.8	5588.8	8.6
		IV	5610.9	8.4	5708.7	7.6	5608.5	6.2	5689.0	7.4
	1991	I	5727.5	8.6			5700.8	6.7		
		II	5832.9	7.6			5810.3	7.9		
	1989	Annual	5187.6	6.6	5235.7	7.6	5235.6	7.6	5254.3	8.0
	1990	Annual	5451.8	5.1	5560.8	6.2	5498.7	5.0	5556.2	5.7
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1989**	**I**			**$4088.2**	**5.5%**	**$4088.2**	**5.5%**	**$4088.2**	**5.5%**
Forecast	1989	II	$4098.1	3.4%	4109.5	2.1	4110.0	2.2	4107.5	1.9
		III	4069.5	−2.8	4106.0	−0.3	4119.0	0.9	4133.9	2.6
		IV	4049.3	−2.0	4100.1	−0.6	4128.0	0.9	4154.4	2.0
	1990	I	4042.7	−0.7	4111.9	1.2	4132.0	0.4	4169.9	1.5
		II	4070.0	2.7	4136.4	2.4	4173.0	0.5	4164.5	−0.5
		III	4111.6	4.2	4164.6	2.8	4148.0	1.1	4164.5	0.0
		IV	4157.3	4.5	4194.5	2.9	4137.0	2.4	4195.5	3.0
	1991	I	4199.6	4.1			4201.0	2.7		
		II	4237.2	3.6			4238.0	3.6		
	1989	Annual	4070.3	1.9	4101.0	2.6	4111.3	2.9	4121.0	3.1
	1990	Annual	4095.4	0.6	4151.9	1.2	4147.5	0.9	4173.6	1.3
Gross National Product deflator Index, 1982 = 100										
Actual	**1989**	**I**			**125.2**	**3.9%**	**125.2**	**3.9%**	**125.2**	**3.9%**
Forecast	1989	II	126.5	4.1%	126.8	5.3	126.7	5.0	126.8	5.3
		III	128.3	5.6	128.5	5.5	128.1	4.5	128.3	4.8
		IV	129.7	4.5	130.2	5.4	129.4	4.1	129.7	4.4
	1990	I	131.2	4.8	131.8	4.9	130.7	4.1	131.2	4.8
		II	132.5	3.9	133.2	4.5	132.0	4.0	131.5	0.8
		III	133.7	3.9	134.6	4.1	133.2	3.7	134.2	8.6
		IV	135.0	3.7	136.1	4.6	134.4	3.7	135.6	4.2
	1991	I	136.4	4.3			135.7	3.9		
		II	137.7	3.8			137.1	4.2		
	1989	Annual	127.5	4.7	127.7	4.9	127.3	4.6	127.5	4.7
	1990	Annual	133.1	4.4	133.9	4.9	132.6	4.1	133.1	4.4
Unemployment Rate										
Actual	**1989**	**IV**				**5.2%**		**5.2%**		**5.2%**
Forecast	1989	II		5.3%		5.1		5.1		5.0
		III		5.4		5.5		5.2		4.9
		IV		5.7		5.9		5.3		4.8
	1990	I		6.0		6.2		5.6		5.1
		II		6.3		6.0		5.8		5.5
		III		6.3		5.8		6.0		5.8
		IV		6.2		5.5		6.0		5.7
	1991	I		6.1				5.8		
		II		5.9				5.8		
	1989	Annual		5.4		5.4		5.2		5.0
	1990	Annual		6.2		5.9		5.9		5.5

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary first quarter.

[2] Based on revised fourth quarter data.

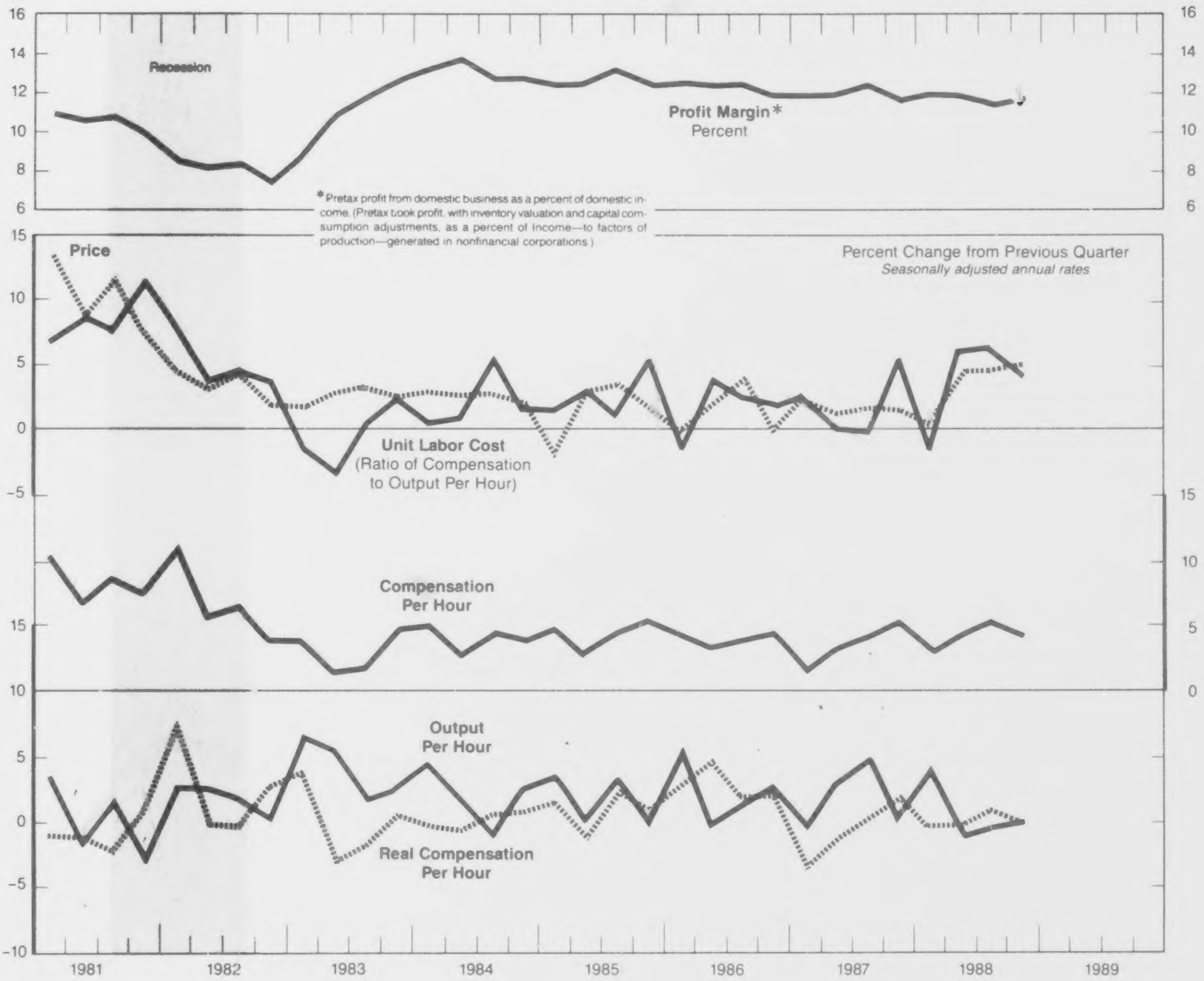
ECONOMIC FORECASTS (continued)

The Conference Board[2]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Apr., 1989		*Apr., 1989*		*Apr., 1989*		*Apr., 1989*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$5116.8	**9.7%**	**$5116.8**	**9.7%**	**$5116.8**	**9.7%**	**I**	**1989**	**Actual**
$5212.0	6.6%	5199.8	6.6	5201.6	6.8	5213.6	7.8	II	1989	Forecast
5270.0	4.5	5260.8	4.8	5257.1	4.3	5290.1	6.0	III		
5307.0	2.8	5330.1	5.4	5320.6	4.9	5353.2	4.9	IV		
5348.0	3.1	5409.5	6.1	5382.8	4.8	5427.6	5.7	I	1990	
5436.0	6.7	5482.6	5.5	5462.0	6.0	5514.2	6.5	II		
5542.0	8.0	5557.2	5.6	5538.5	5.7	5614.1	7.4	III		
5651.0	8.1	5633.6	5.6	5636.2	7.2	5718.2	7.6	IV		
		5736.5	7.5	5760.7	9.1	5829.6	8.0	I	1991	
		5838.7	7.3	5878.9	8.5	5939.2	7.7	II		
5229.5	7.5	5226.9	7.5	5224.0	7.4	5243.4	7.8	Annual	1989	
5494.3	5.1	5520.7	5.6	5504.9	5.4	5568.5	6.2	Annual	1990	
								Gross National Product Billions of Constant (1982) Dollars		
		$4088.2	**5.5%**	**$4088.2**	**5.5%**	**$4088.2**	**5.5%**	**I**	**1989**	**Actual**
$4100.7	1.4%	4105.7	1.7	4102.7	1.4	4109.8	2.1	II	1989	Forecast
4098.0	-0.3	4117.2	1.1	4104.8	0.2	4124.3	1.4	III		
4082.3	-1.5	4134.0	1.6	4117.2	1.2	4130.0	0.6	IV		
4070.0	-1.2	4150.3	1.6	4119.4	0.2	4136.4	0.6	I	1990	
4090.3	2.0	4167.5	1.7	4139.4	2.0	4162.9	2.6	II		
4120.4	3.0	4186.2	1.8	4156.4	1.7	4195.6	3.2	III		
4149.9	2.9	4206.8	2.0	4187.7	3.0	4238.7	4.2	IV		
		4235.3	2.7	4232.6	4.4	4268.9	2.9	I	1991	
		4265.4	2.9	4271.8	3.8	4306.7	3.6	II		
4092.0	2.4	4111.3	2.9	4103.2	2.7	4113.1	2.9	Annual	1989	
4107.7	0.4	4177.7	1.6	4150.7	1.2	4183.4	1.7	Annual	1990	
								Gross National Product deflator Index, 1982 = 100		
		125.2	3.9%	125.2	3.9%	125.2	3.9%	I	1989	Actual
127.1	5.2%	126.6	4.8	126.8	5.3	126.9	5.5	II	1989	Forecast
128.6	4.8	127.8	3.6	128.1	4.1	128.3	4.5	III		
130.0	4.4	128.9	3.7	129.2	3.7	129.6	4.3	IV		
131.4	4.4	130.3	4.4	130.7	4.5	131.2	5.0	I	1990	
132.9	4.6	131.6	3.8	132.0	4.0	132.5	3.8	II		
134.5	4.9	132.8	3.7	133.3	4.0	133.8	4.1	III		
136.2	5.1	133.9	3.6	134.6	4.1	134.9	3.3	IV		
		135.4	4.6	136.1	4.6	136.6	5.0	I	1991	
		136.9	4.3	137.6	4.5	137.9	4.0	II		
127.8	5.0	127.1	4.4	127.3	4.6	127.5	4.7	Annual	1989	
133.7	4.7	132.1	3.9	132.6	4.2	133.1	4.4	Annual	1990	
								Unemployment Rate		
	5.2%		**5.2%**		**5.2%**		**5.2%**	**I**	**1989**	**Actual**
	5.3		5.3		5.1		5.3	II	1989	Forecast
	5.5		5.3		5.3		5.4	III		
	6.1		5.4		5.4		5.7	IV		
	6.3		5.4		5.7		5.9	I	1990	
	6.3		5.6		5.8		6.1	II		
	6.1		5.7		5.9		6.1	III		
	5.9		5.8		6.0		5.9	IV		
			5.7		5.9		5.8	I	1991	
			5.7		5.8		5.6	II		
	5.5		5.3		5.3		5.4	Annual	1989	
	6.2		5.6		5.8		6.0	Annual	1990	

CBDB

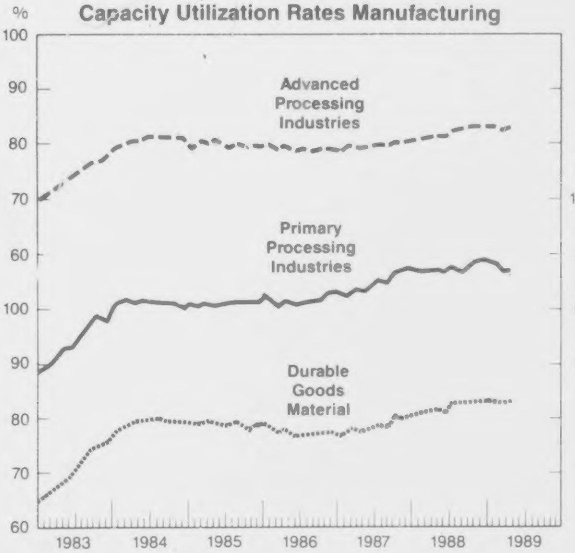
ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

Key Determinants of Profit Margin
Nonfinancial Corporations

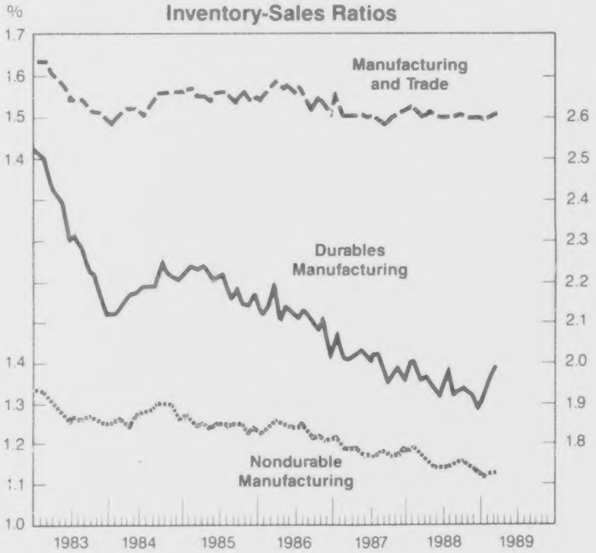


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



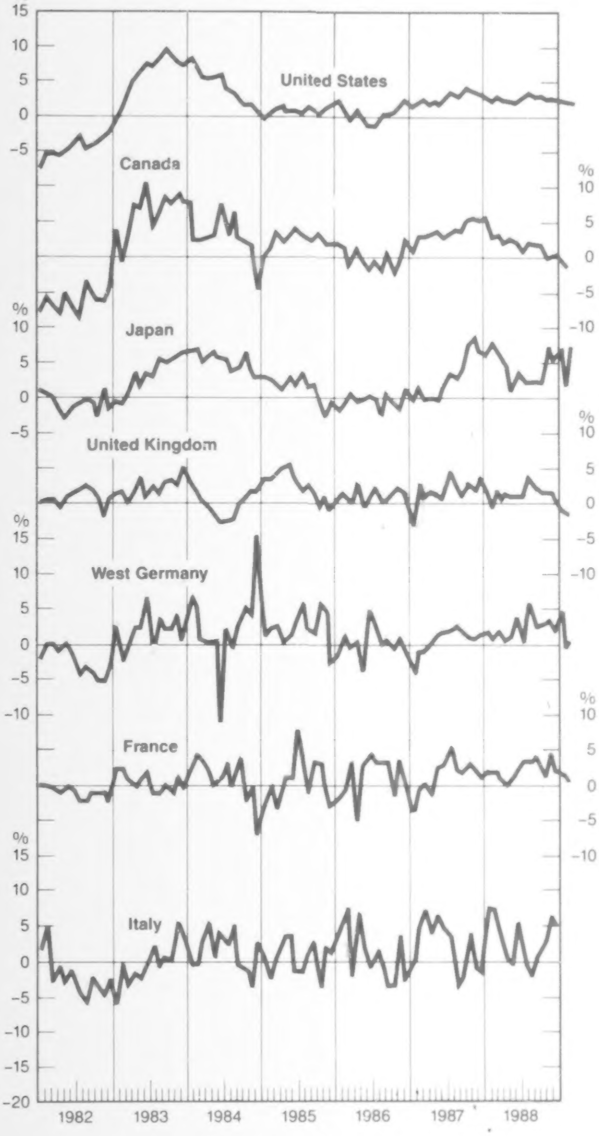
Inventory-Sales Ratios



Selected International Comparisons

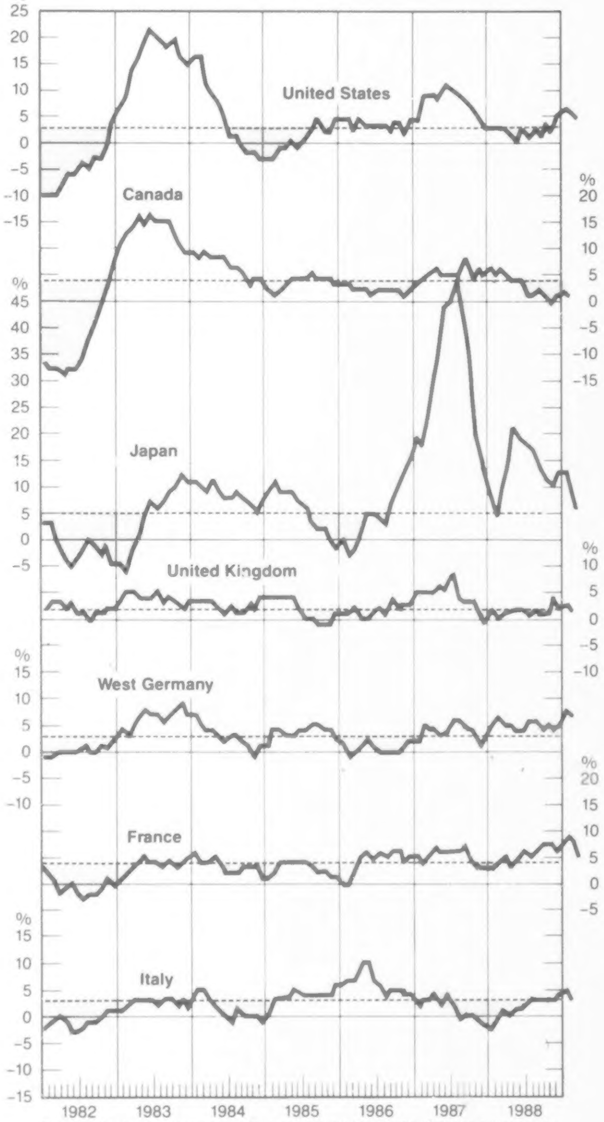
Industrial Production Indexes

Change Over Six Month Span



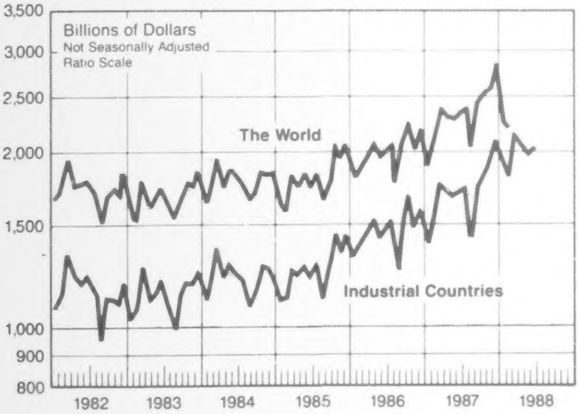
Leading Business Cycle Indexes

Change From Preceding Year

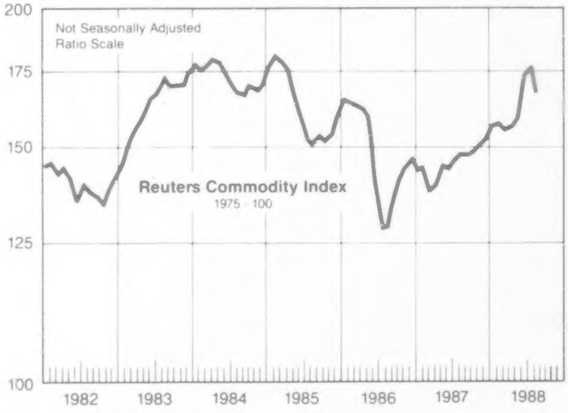


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports



Raw Materials Prices



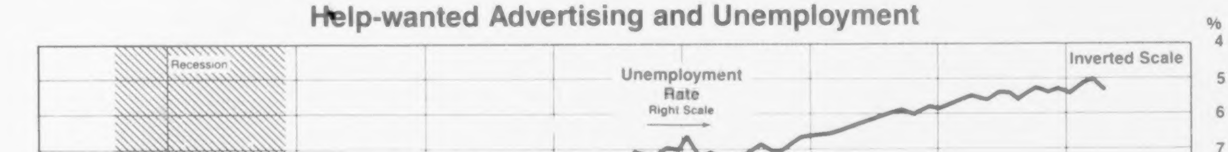
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

	1989	1988		1988
Locality	**Mar.**	**Feb.**	**Jan.**	**Mar.**
National Index	151	155	156r	158r
New England	119	131	139	171
Boston	113	126	131	165
Hartford	123	129	139	191
Providence	136	149	167	174
Middle Atlantic	79	83	83	92
Albany	191	195	198	233
Allentown	393	375	360	420
New York	50	56	55	65
Philadelphia	66	68	71	80r
Pittsburgh	96	101	101	92
Rochester	101	115	111	105
Syracuse	153	161	162	151
East North Central	101	107	108	105
Chicago	103	111	113	116
Cincinnati	162	168	162	163
Cleveland	69	76	76	69
Columbus	163	173	161	169
Dayton	93	94	100	90
Detroit	58	63	67	55
Gary	202	205	199	184
Indianapolis	135	134	129	130
Milwaukee	87	90	93	91r
Toledo	129	133	133	134
West North Central	100	102	105	101
Kansas City	138	138	144	150
Minneapolis	N.A.	91	91	90
Omaha	166	174	177	158r
St. Louis	69	71	77	67
South Atlantic	187	202r	215r	214r
Atlanta	232	250	269	277
Baltimore	206	215	224	223r
Charlotte	201	211	204	208
Jacksonville	212	226	223	227
Miami	159	170	162	171
Richmond	129	147	155	153
Washington, D.C.	N.A.	184r	215r	201
East South Central	173	169	167	170
Birmingham	197	188	183	183r
Knoxville	333	320	316	307
Louisville	99	104	102	96r
Memphis	142	138	146	149
Nashville	179	173	164	191
West South Central	203	190	178	195r
Dallas	139	133	142	160
Houston	338	300	251	312r
New Orleans	127	137	133	124
Oklahoma City	126	120	126	113
San Antonio	153	150	162	139
Tulsa	164	163	167	139
Mountain	330	325	322	310
Denver	206	211	225	199
Phoenix	410	394	360	419
Salt Lake City	460	448	458	372
Pacific	256	263	262	250r
Los Angeles	165	173	174	173
Sacramento	489	492	512	479
San Bernardino	332	307	300	289r
San Diego	670	666	672	601r
San Francisco	246	273	252	254
Seattle	265	260	277	230
Percentage of papers with rising volume	31	41	57r	61
Unemployment rate	5.0	5.1	5.4	5.6

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available.

Help-wanted Advertising and Unemployment



Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7	116.9	112.9	119.4
1989	115.8	120.7	117.4	116.3p								

Expectations Index

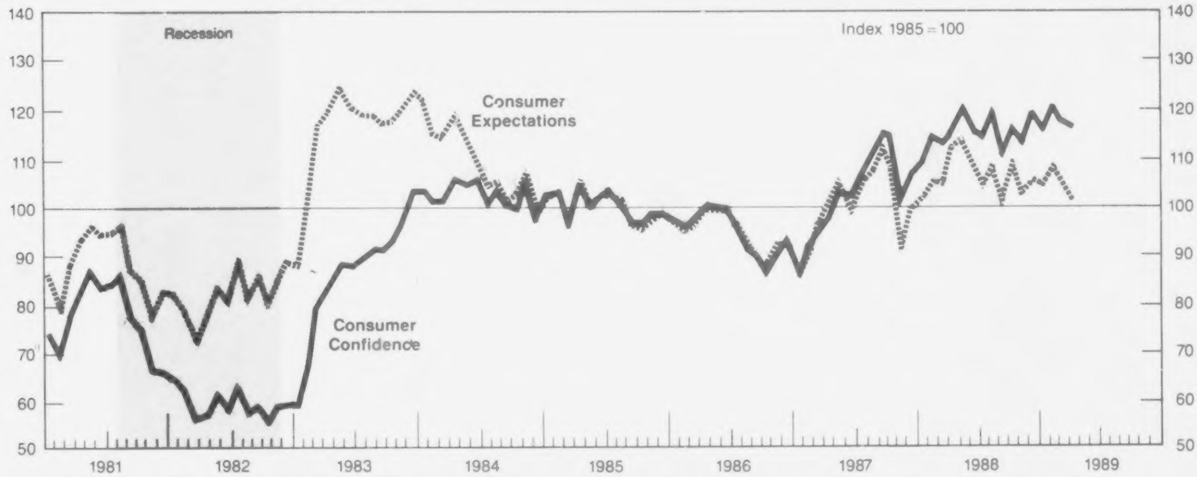
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1	109.3	102.0	105.6
1989	104.1	108.3	104.9	101.2p								

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

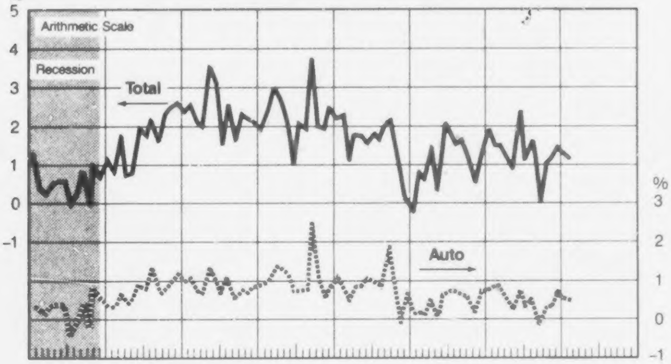
	1987				1988			Percent Change From Previous Year Actual	Percent Change From Previous Year Estimate
	II-87	III-87	IV-87	I-88	II-88	III-88(r)	IV-88(p)	1988	1989
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	32.257	29.561	35.909	30.846	40.686	40.384	53.774	39%	8%
Capital expenditures	25.933	27.381	29.820	29.412	31.718	36.037	41.216	33	13
Change in appropriations backlog*	5.460	−0.080	3.510	0.650	8.760	−4.110	−10.140		
Durable Goods									
New appropriations	16.515	17.208	20.245	14.310	20.261	20.791	25.859	27	13
Capital expenditures	14.006	13.970	16.037	15.780	16.910	19.526	20.226	31	21
Change in appropriations backlog*	2.310	2.930	3.810	−1.600	3.670	−1.080	−4.730		
Nondurable Goods									
New appropriations	15.742	12.353	15.664	16.536	20.425	19.593	27.915	52	5
Capital expenditures	11.927	13.411	13.783	13.632	14.808	16.511	20.990	35	8
Change in appropriations backlog*	3.160	−3.010	−0.300	2.250	5.090	−3.030	−5.410		
ELECTRIC & GAS UTILITIES									
New appropriations	5.605	5.174	6.286	8.083	4.439				
Capital expenditures	7.072	7.771	6.590	6.857	6.620				
Change in appropriations backlog*	−1.610	−2.840	−0.430	1.235	−2.630				

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

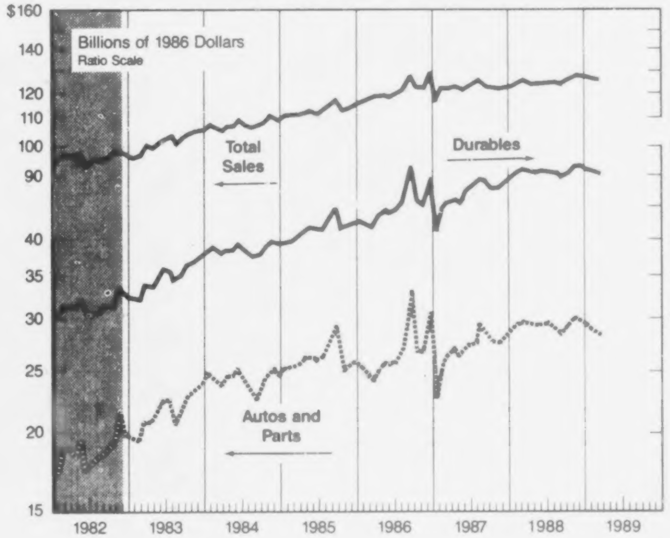
r—revised p—preliminary

* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



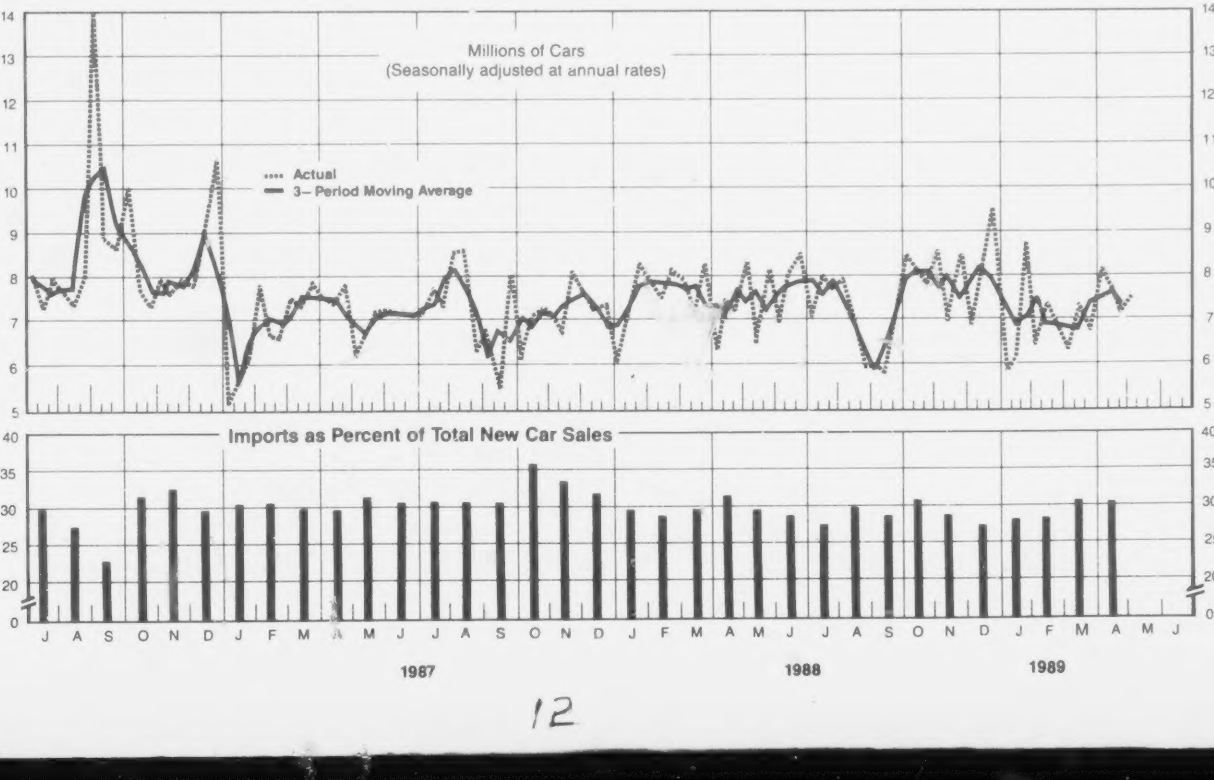
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1986	1987	1988	1989
January:	1-10	8.37	5.15	6.06	5.86
	11-20	8.74	5.52	7.29	6.06
	21-31	8.26	6.13	8.25	8.64
February:	1-10	7.88	7.78	7.83	6.40
	11-20	8.95	6.64	7.44	7.37
	21-28(29)	6.15	6.58	8.17	6.86
March:	1-10	7.69	7.53	7.81	6.32
	11-20	7.57	7.27	7.13	7.28
	21-31	6.52	7.81	8.28	6.74
April:	1-10	8.79	7.48	6.33	8.18
	11-20	7.06	7.34	7.43	7.66
	21-30	7.75	7.76	7.23	7.03
May:	1-10	8.62	6.16	8.36	7.49
	11-20	8.86	6.66	6.53	
	21-31	7.33	7.19	8.12	
June:	1-10	8.48	7.21	6.88	
	11-20	8.04	7.13	8.00	
	21-30	8.39	7.09	8.48	
July:	1-10	8.10	7.10	7.02	
	11-20	7.28	7.68	7.99	
	21-31	7.97	7.29	7.69	
August:	1-10	7.63	8.55	7.95	
	11-20	7.34	8.60	7.01	
	21-31	8.08	6.26	5.92	
September:	1-10	14.00	6.74	5.93	
	11-20	8.83	5.45	5.80	
	21-30	8.62	8.03	7.40	
October:	1-10	10.04	6.13	8.43	
	11-20	7.67	7.10	8.08	
	21-31	7.27	7.24	7.78	
November:	1-10	7.96	7.15	8.55	
	11-20	7.59	6.68	6.97	
	21-30	7.89	8.09	8.46	
December:	1-10	7.75	7.60	6.84	
	11-20	8.77	7.22	8.31	
	21-31	10.68	7.31	9.54	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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STATISTICAL BULLETIN

Highlights

- THE LABOR MARKET IS FINALLY COOLING OFF
- SLOWER GROWTH IN SPENDING POWER IS SOFTENING CONSUMER DEMAND
- NEW ORDERS ARE STILL CONTRACTING
- INDUSTRIAL OUTPUT GROWTH IS MODERATING AND CAPACITY UTILIZATION RATES HAVE STABILIZED.
- ON THE INFLATION WATCH: FURTHER ACCELERATION IS NOT WIDELY ANTICIPATED.
- OUTLOOK • U.S. ECONOMIC GROWTH WILL TURN QUITE SLUGGISH AFTER THE SECOND QUARTER.

Volume 22, No. 6, June, 1989

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The U.S. economy may now be entering a phase of quite slow growth or, perhaps, of no growth. The consensus of the **Economic Forecasts** is that real GNP growth will slow to a just under 1% seasonally adjusted annual rate in the second half of this year. Business investment in plant and equipment and exports are currently the centers of strength, while consumer demand, long the mainstay of this durable expansion, is becoming the principal weak spot. The softer spending pace, which could slow further, is cutting back credit demand, helping to set the stage for some decline in interest rates. But interest rates are falling in the presence of a strengthening dollar—overall, 7% higher in June than in January. What is behind this phenomenon and what does it imply for near-term economic conditions?

With this issue, we introduce a measure we have dubbed the **Domestic-International Discomfort Index (DIDI)**, which measures the behavior of the dollar relative to U.S. interest rates. It was conceived originally as an effort to appraise the significance of a declining dollar in the presence of stable or rising interest rates. As it turns out, the reverse has occurred. **DIDI** has surged upward as the dollar has risen in the presence of falling rates. Thus, where it was once believed that the level of U.S. interest rates influenced the currency, in the past two months, the strengthening dollar has set the stage for falling rates.

The consequences of this new pattern are important. There is now more room for the Federal Reserve to maneuver. A more pronounced decline in interest rates than might have been expected only a short while ago is possible. Clearly, the dollar's strength vacates the view that interest rates are headed sharply higher over the next few quarters, to cool the economy and avoid sharply higher inflation. Indeed, there are signs that the domestic economy is cooling off, and inflation, at least to date, has remained reasonably in check. The consensus of the **Economic Forecasts** is that inflation is likely to remain so. But that forecast is heavily dependent on economic growth remaining sluggish through the rest of this year and into the next. Finally, a note of caution: **DIDI** shifted quickly as the dollar suddenly started rising. It could just as quickly reverse field again. This measure bears close watching this summer.

DOMESTIC MARKET MONITOR

Labor market signals are predominantly negative now, and it has been quite some time since that was last true. The rise in new hiring slowed in May, especially in cyclically sensitive areas like durable goods manufacturing and construction. Moreover, the average workweek fell. Shorter hours and a slower rise in new employment translated to a decline in total hours worked. But perhaps the biggest news in May was the meager rise in average hourly pay. Though one month does not make a trend, the labor market may have cooled enough to take the pressure off rising labor costs. That is certainly consistent with the consensus of the **Economic Forecasts**, which calls for unemployment to gradually rise over the next 12 months, reaching just under 6% by this time next year.

INCOME: Wages in commodity-producing industry were only 1.3% higher in April than three months earlier. That is a more modest rise than was the case at the beginning of this year. Wages in the "other industry" category were 2.1% higher—no real change in trend. Furthermore, the slower rise in employment in May, and the meager gain in hourly pay, probably slowed the growth of wage income even further.

Nonwage income, though still strong, has moderated. Interest income is still rising sharply, 5.2% higher in April than three months ago, but interest rates are no longer moving up. Dividend payout was only 2.4% higher, a slower rise than earlier this year. The rise in shopkeepers' income also slowed significantly, and rental income is actually declining.

News reports about the economy cooling off have not dampened consumer spirits—yet. The Conference Board's **Consumer Confidence Index** remained very high in May, and the **Expectations** Component reflects positive attitudes about job and pay prospects over the next six months. The survey also showed that consumers do not expect inflation to go above 5% over the next 12 months but do foresee interest rates rising. Sluggish job and income growth, if sustained, are bound to take some steam out of buoyant consumer attitudes.

SPENDING: Despite the apparent optimism, spending has softened. Total retail sales, except cars, were only 0.3% higher in April than three months earlier. And the weakness is concentrated precisely in those categories indicative of consumer belt-tightening: Sales of furniture and appliances were down 1.7%, while sales of building material and hardware were off 6.2 percent. These numbers bear close watching for a tip-off as to whether recent clues of economic moderation are an aberration or not. The betting is that they do not represent an aberration.

CONSTRUCTION: Home buying continues to be as sluggish as car sales. New single-family home sales were no higher in April than in February, and remain considerably lower than at this time last year. Nevertheless, prices for these new homes were 3.5% higher in April than three months earlier. With demand for new homes so obviously soft, construction of new homes was almost 20% lower in

Ken Goldstein, Editor

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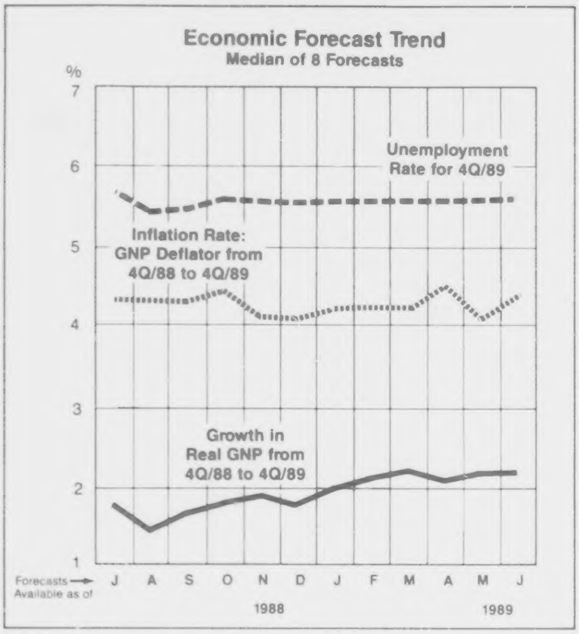


April than three months earlier. Mortgage rates have fallen a little, but the housing market is unlikely to turn around any time soon.

PRODUCTION: Business investment remains strong, but weakened consumer spending and a decline in government spending on hardware are moderating the pace of industrial output. Total industrial output was only 0.2% higher in April than three months earlier. The output of business equipment was 1.5% higher. But production of consumer durables was 0.9% lower, while the output of defense- and space-materiel fell by 0.7 percent. And with slight declines in durable-manufacturing employment in May, and a decline in the average workweek, total output probably dipped that month.

The pace of industrial output may continue to cool in June, and perhaps beyond that. New orders for durable goods, except for defense-related materiel, were 1.1% lower in April than three months ago. Producers have been somewhat slow to fill new orders, in a sense smoothing the work flow. Consequently, the ratio of new orders to shipments, another measure of the strength of industrial conditions, was 4.8% higher in April than three months earlier. Moderating production levels, then, are unlikely to turn into a full-scale decline, at least not in the immediate future.

INVENTORY: One reason why producers have slowed the pace at which new orders are being filled is because of concern that inventory might begin to pile. Despite tight inventory to date, build-up is a very real concern. Total inventory, except cars, at the retail level, was 1.7% higher in March than three months earlier. Sales only rose by 0.3 percent. A few months of accumulation of that scale, in the presence of sluggish or even declining sales could turn very lean inventory into an unwelcome overhang to be financed at high real interest rates.

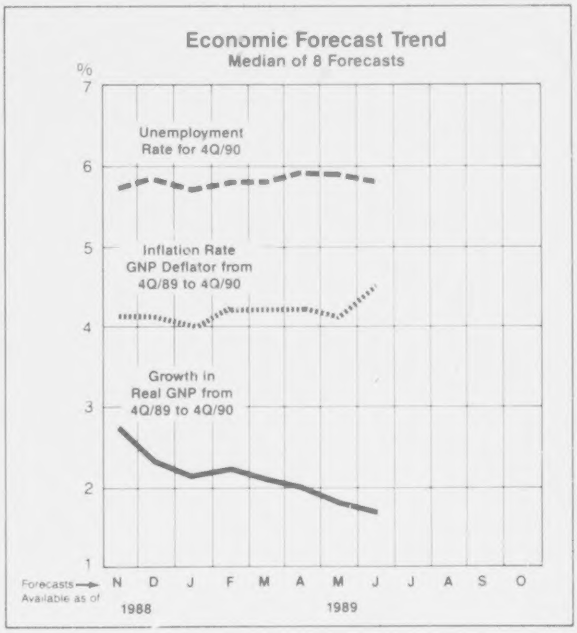
INFLATION: The meager rise in labor costs in May is the good news here. The bad news is that wholesale prices for commodities other than food and energy rose by 0.5% in May. Increases of that size earlier this year were met with interest rate hikes within hours. The consensus of the **Economic Forecasts** is that the CPI is now rising at about a 5% annual rate and will more or less maintain that pace over the next four quarters. This scenario assumes the economy will continue to cool off; otherwise, the rise in the CPI will certainly run higher.

INTERNATIONAL MONITOR

Slower growth in consumer spending has hit imports very hard. Specifically, imports of consumer goods, except cars, were 8% lower in March than three months earlier. Moreover the rise in the dollar has not had much measurable impact. Import prices were only 2.7% higher in March than three months earlier. Imports of raw and semi-finished products rose 8.2%, offsetting the weakness in consumer goods. Altogether, imports were 1% lower. Unless consumer spending unexpectedly rebounds, softening industrial output will cool the influx of imported raw material and semi-finished goods.

In contrast, exports of consumer goods, except cars, were 21% higher in March than three months earlier. Export prices were only 1.4% higher in March than three months earlier. But since then the dollar has steadily climbed, possibly constraining growth. Nevertheless, strong economic growth in some of our major trading partners (see the **Selected International Comparisons** chart) suggests that demand for U.S. exports may continue to rise.

Ken Goldstein
June 9, 1989

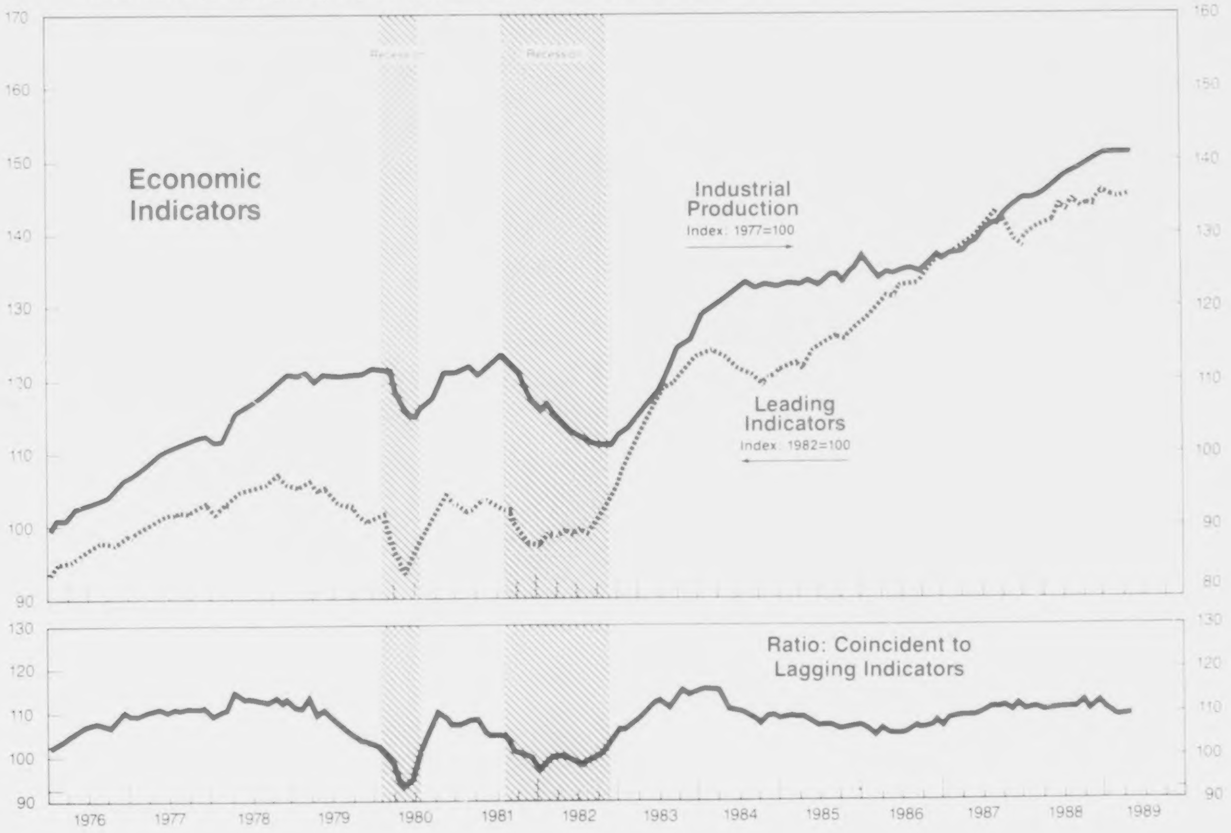


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Apr.		X		– 0.1%	3.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Apr.		X		– 0.3%	11.7%
New orders, nondefense capital goods (deflated)	Apr.		X		0.6%	13.0%
New business formation	Apr.		X		– 0.2%	2.9%
*Housing permits	Apr.			X	–10.2%	– 8.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Apr.		X		– 0.7%	5.3%
*Change in unfilled orders, mfg.	Apr.		X		– 0.7%	116.0%
Purchasing manager's buying policy	Apr.	X			8.5%	10.9%
*Vendor performance, reported slower deliveries	Apr.		X		– 1.5%	–10.1%
Industrial raw materials prices	Apr.		X		0.7%	9.9%
*Change in sensitive material prices	Apr.	X			50.9%	84.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Apr.			X	– 1.0%	– 2.0%
Change in business loans	Apr.			X	– 41.9%	–46.0%
*Consumer expectations	Apr.			X	– 7.5%	1.0%
Change in consumer installment debt	Mar.		X		5.5%	12.3%
Profitability						
Total corporate profits, after tax (deflated)	1st.Q			X	– 3.1%	11.1%
*Common stock prices	May	X			6.3%	22.1%
Aprginal Employment Adjustments						
*Average workweek, mfg.	May		X		– 0.1hr	– 0.1hr
*Initial unemployment claims (inverted)	Apr.		X		– 1.0%	0.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

	1988	1989			
DIFFUSION INDEXES	Apr.	Jan.	Feb.	Mar.	Apr.(e)
Principal Diffusion Index	59.3r	59.8r	55.5r	54.3r	54.0
Auxillary Diffusion Index	54.3r	50.5r	36.0r	46.1r	49.0
Industrial Group	63.7r	55.3r	51.8r	52.5r	53.3
Nonindustrial Group	54.8r	64.4r	59.2r	56.2r	54.7
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	67.5	67.5	62.8	63.2	58.5
Labor	60.5r	49.7r	49.0r	47.1r	48.6
Miscellaneous	66.0r	50.6	42.3	50.0	57.1
Nonindustrial Subgroups					
Prices	55.1	53.2	60.9	60.3	59.6
Consumer	59.8r	67.1r	62.0r	57.3r	58.1
Building	52.2r	67.9	57.7	56.4	47.4
Miscellaneous	51.3r	66.7	56.4	52.1r	53.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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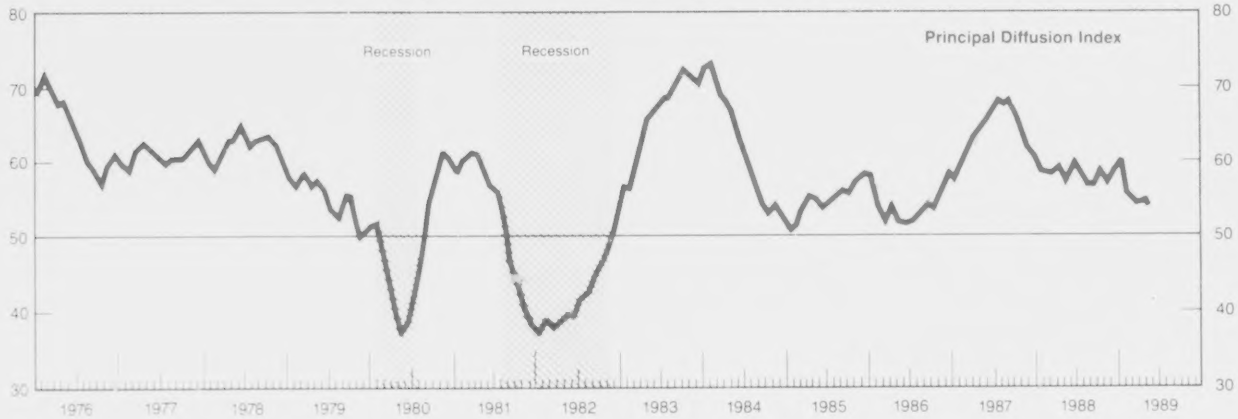
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1986			*1987*				*1988*				*1989*
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb*
	Score (scale 0-100)											
Measure of Business Confidence	61	50	51	55	55	59	47	51	58	56	51	48
1 Appraisal of Current Economic Conditions Compared With Six Months Ago	61	44	50	56	55	62	50	49	64	65	54	52
2 Expectations for Economy, Six Months Ahead	62	52	51	54	53	56	43	50	54	51	48	43
3 Expectations for Own Industry, Six Months Ahead	60	54	53	56	56	58	48	51	55	53	51	48

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[2] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*May, 1989*		*May, 1989*		*May, 1989*		*May, 1989*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1989**	**I**			**$5105.0**	**8.7%**	**$5116.8**	**9.7%**	**$5105.0**	**8.7%**
Forecast	1989	II	$5198.1	7.5%	5204.9	8.1	5204.8	7.1	5184.2	6.4
		III	5225.1	2.1	5270.1	5.1	5281.6	6.0	5273.3	7.1
		IV	5255.0	2.3	5328.3	4.5	5344.2	4.8	5344.4	5.5
	1990	I	5296.6	3.2	5407.2	6.1	5403.1	4.5	5426.8	6.3
		II	5378.6	6.3	5502.0	7.2	5463.5	4.5	5486.2	4.5
		III	5472.2	7.1	5597.[illegible]	7.1	5527.8	4.8	5546.7	4.5
		IV	5563.7	6.9	5700.[illegible]	7.6	5611.2	6.2	5644.7	7.3
	1991	I	5673.6	8.1			5703.5	6.7		
		II	5783.0	7.9			5813.0	7.9		
	1989	Annual	5195.8	6.8	5227.1	7.5	5236.9	7.7	5226.7	7.5
	1990	Annual	5427.8	4.5	5551.8	6.2	5501.4	5.1	5526.1	5.7
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1989**	**I**	**$4076.5**	**4.3%**	**$4076.5**	**4.3%**	**$4088.2**	**5.5%**	**$4076.5**	**4.3%**
Forecast	1989	II	4093.0	1.6	4100.4	2.4	4108.0	2.0	4091.7	1.5
		III	4069.1	-2.3	4097.8	-0.3	4123.0	1.5	4123.0	3.1
		IV	4056.1	-1.3	4091.9	-0.6	4130.0	0.7	4133.3	1.0
	1990	I	4038.9	-1.7	4103.5	1.1	4134.0	0.4	4142.6	0.9
		II	4062.1	2.3	4128.0	2.4	4139.0	0.5	4134.3	-0.8
		III	4093.8	3.2	4156.1	2.8	4150.0	1.1	4127.0	-0.7
		IV	4124.7	3.1	4186.0	2.9	4175.0	2.4	4150.5	2.3
	1991	I	41[illegible]4.1	3.9			4203.0	2.7		
		II	4205.0	4.0			4240.0	3.6		
	1989	Annual	4073.7	1.9	4091.7	2.4	4112.3	2.9	4106.1	2.8
	1990	Annual	4079.9	0.2	4143.4	1.3	4149.5	0.9	4138.6	0.8
Gross National Product deflator Index, 1982 = 100										
Actual	**1989**	**I**	**125.2**	**4.2%**	**125.2**	**4.2%**	**125.2**	**3.9%**	**125.2**	**4.2%**
Forecast	1989	II	127.0	5.8	126.9	5.6	126.7	5.0	126.7	4.8
		III	128.4	4.5	128.6	5.4	128.1	4.5	127.9	3.8
		IV	129.6	3.6	130.2	5.1	129.4	4.1	129.3	4.5
	1990	I	131.1	5.0	131.8	4.9	130.7	4.1	131.0	5.4
		II	132.4	3.9	133.3	4.7	132.0	4.0	132.7	5.3
		III	133.7	3.9	134.7	4.3	133.2	3.7	134.4	5.2
		IV	134.9	3.7	136.2	4.5	134.4	3.7	136.0	4.8
	1991	I	136.3	4.1			135.7	3.9		
		II	137.5	3.8			137.1	4.2		
	1989	Annual	127.5	4.8	127.7	4.9	127.3	4.6	127.3	4.6
	1990	Annual	133.0	4.3	134.0	4.9	132.6	4.1	133.5	4.9
Unemployment Rate										
Actual	**1989**	**IV**						**5.2%**		**5.1%**
Forecast	1989	II		5.2%		5.2%		5.1		5.0
		III		5.4		5.4		5.2		5.0
		IV		5.7		5.9		5.3		5.0
	1990	I		6.1		6.1		5.6		5.0
		II		6.3		6.0		5.8		5.2
		III		6.4		5.9		6.0		5.3
		IV		6.5		5.8		6.0		5.4
	1991	I		6.4				5.8		
		II		6.2				5.8		
	1989	Annual		5.4		5.4		5.2		5.0
	1990	Annual		6.3		6.0		5.9		5.2

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary first quarter

[2] Based on revised fourth quarter data.

ECONOMIC FORECASTS (continued)

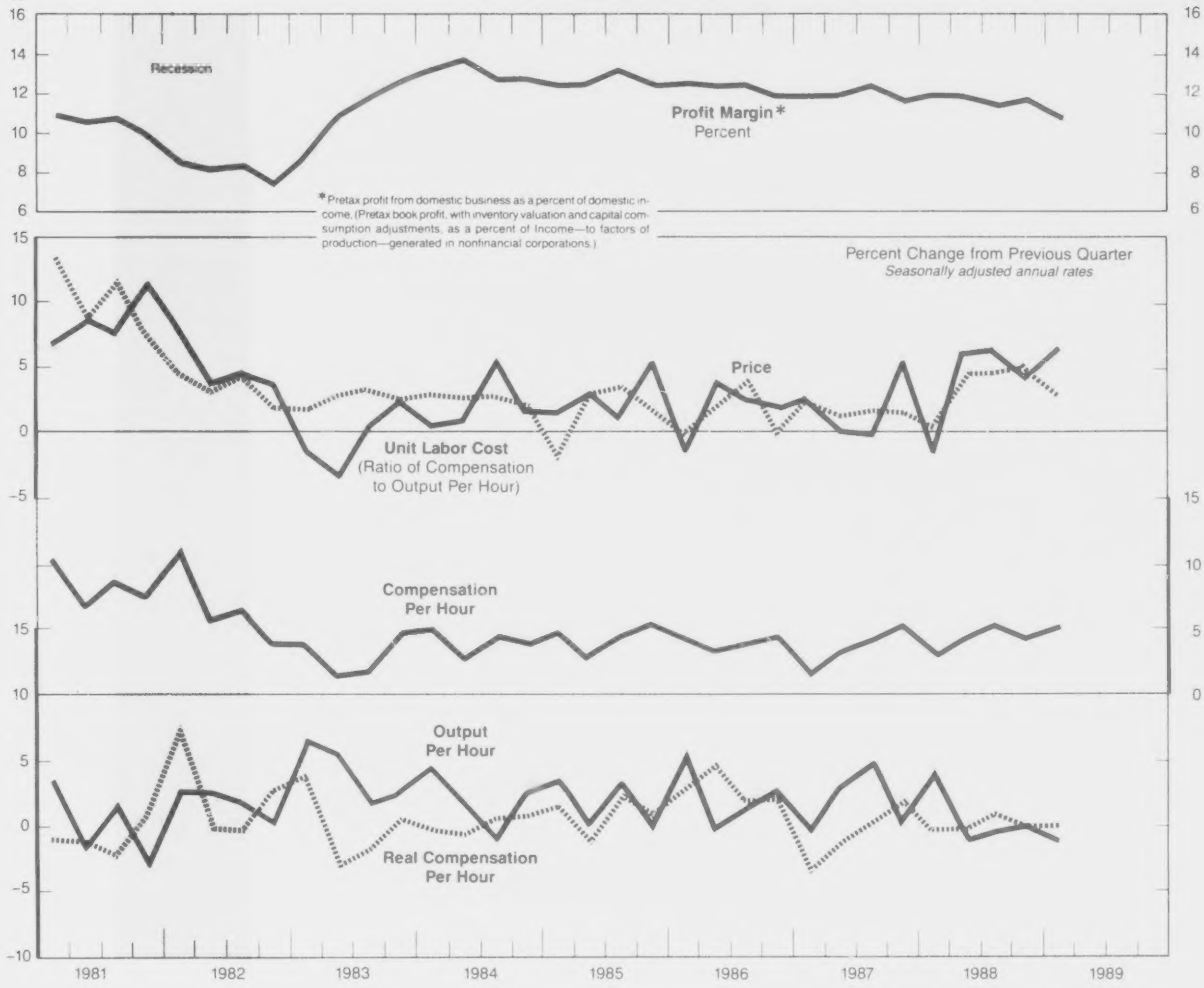
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
May, 1989		*May, 1989*		*May, 1989*		*May, 1989*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$5105.0	**8.9%**	**$5105.0**	**8.7%**	**$5105.0**	**8.7%**	**$5105.0**	**8.7%**	**I**	**1989**	**Actual**
5195.0	7.2	5186.9	6.6	5198.0	7.5	5203.0	7.9	II	1989	Forecast
5277.0	6.5	5248.7	4.9	5261.0	4.9	5292.7	7.1	III		
5330.0	4.1	5328.1	6.2	5318.5	4.4	5377.7	6.6	IV		
5373.0	3.3	5421.3	7.2	5377.7	4.5	5463.8	6.6	I	1990	
5455.0	6.2	5494.1	5.5	5452.2	5.7	5561.5	7.3	II		
5571.0	8.8	5571.8	5.8	5524.3	5.4	5658.9	7.2	III		
5683.0	8.3	5654.2	6.0	5618.5	7.0	5758.6	7.2	IV		
		5754.7	7.3	5738.2	8.8	5863.8	7.5	I	1991	
		5852.2	7.0	5855.7	8.4	5974.6	7.8	II		
5226.8	7.5	5217.2	7.3	5220.6	7.3	5244.6	7.8	Annual	1989	
5520.5	5.6	5535.4	6.1	5493.2	5.2	5610.7	7.0	Annual	1990	
								Gross National Product Billions of Constant (1982) Dollars		
$4076.5	**4.3%**	**$4076.5**	**4.3%**	**$4076.5**	**4.3%**	**$4076.5**	**4.3%**	**I**	**1989**	**Actual**
4097.0	2.0	4093.4	1.7	4096.0	1.9	4102.9	2.6	II	1989	Forecast
4109.9	1.3	4107.0	1.3	4105.7	1.0	4122.6	1.9	III		
4100.0	–1.0	4125.3	1.8	4114.6	0.9	4141.2	1.8	IV		
4086.0	–1.4	4148.4	2.3	4112.3	–0.2	4155.3	1.4	I	1990	
4098.4	1.2	4161.5	1.3	4129.7	1.7	4183.4	2.7	II		
4135.8	3.7	4177.2	1.5	4144.1	1.4	4212.6	2.8	III		
4166.4	3.0	4195.8	1.8	4174.7	3.0	4245.5	3.2	IV		
		4220.5	2.4	4216.7	4.1	4274.4	2.8	I	1991	
		4249.2	2.7	4256.3	3.8	4308.4	3.2	II		
4095.9	2.5	4100.6	2.6	4098.2	2.6	4110.8	2.9	Annual	1989	
4121.7	0.6	4170.7	1.7	4140.2	1.0	4199.2	2.2	Annual	1990	
								Gross National Product deflator Index, 1982 = 100		
125.2	4.2%	125.2	4.2%	125.2	4.2%	125.2	4.2%	I	1989	Actual
126.8	5.1	126.7	4.8	126.9	5.5	126.8	5.2	II	1989	Forecast
128.4	5.1	127.8	3.5	128.1	3.9	128.4	5.0	III		
130.0	5.1	129.2	4.3	129.3	3.5	129.9	4.7	IV		
131.5	4.7	130.7	4.8	130.8	4.8	131.5	5.1	I	1990	
133.1	5.0	132.0	4.2	132.0	3.9	132.9	4.5	II		
134.7	4.9	133.4	4.2	133.3	3.9	134.3	4.3	III		
136.4	5.1	134.8	4.2	134.6	3.9	135.6	4.0	IV		
		136.4	4.8	136.1	4.5	137.2	4.6	I	1991	
		137.7	4.1	137.6	4.5	138.7	4.4	II		
127.6	4.8	127.2	4.5	127.4	4.6	127.6	4.8	Annual	1989	
133.9	5.0	132.7	4.3	132.7	4.2	133.6	4.7	Annual	1990	
								Unemployment Rate		
	5.2%		**5.2%**		**5.1%**		**5.2%**	**I**	**1989**	**Actual**
	5.3		5.3		5.3		5.3	II	1989	Forecast
	5.5		5.4		5.4		5.5	III		
	5.9		5.4		5.5		5.8	IV		
	6.2		5.4		5.7		5.8	I	1990	
	6.3		5.5		5.9		5.9	II		
	6.0		5.6		6.0		5.8	III		
	5.8		5.7		6.1		5.7	IV		
			5.6		6.1		5.6	I	1991	
			5.5		6.0		5.5	II		
	5.5		5.3		5.3		5.4	Annual	1989	
	6.1		5.6		5.9		5.8	Annual	1990	

CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

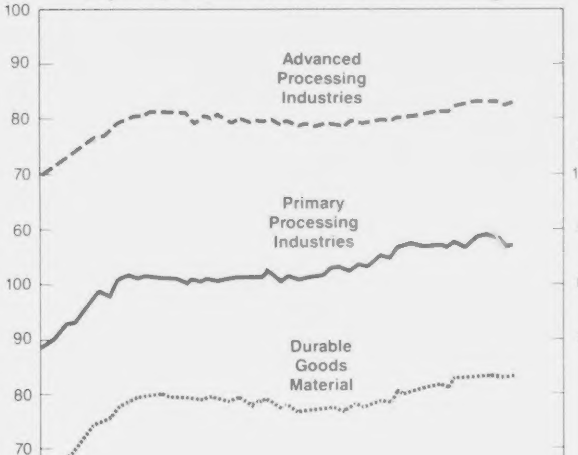
Key Determinants of Profit Margin

Nonfinancial Corporations

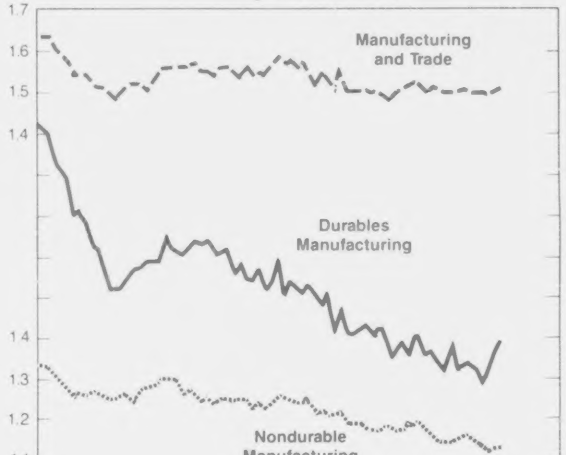


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



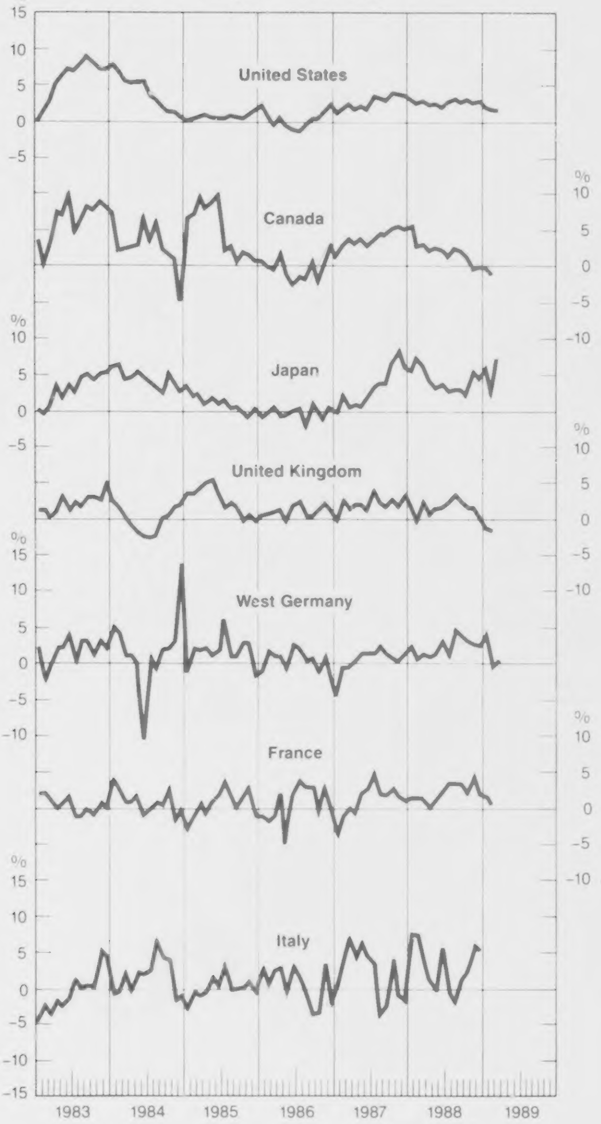
Inventory-Sales Ratios



Selected International Comparisons

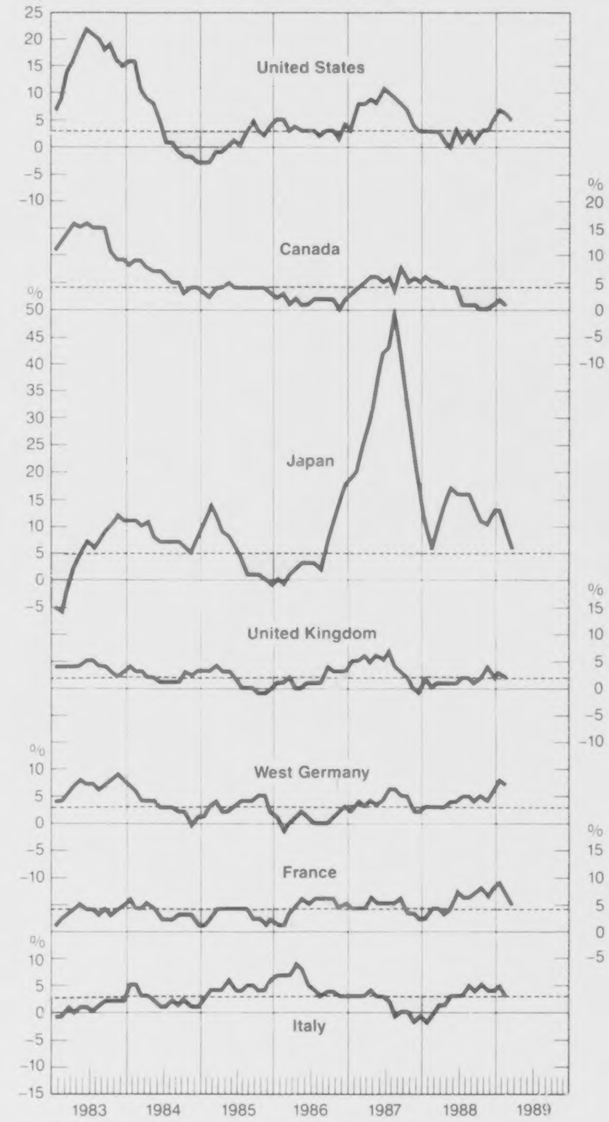
Industrial Production Indexes

Change Over Six Month Span

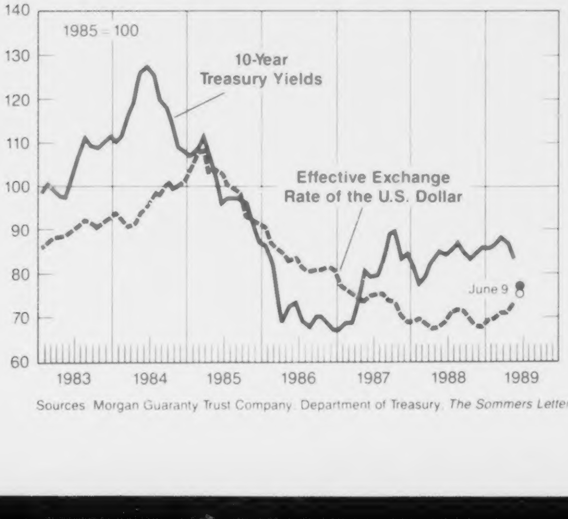


Leading Business Cycle Indexes

Change From Preceding Year

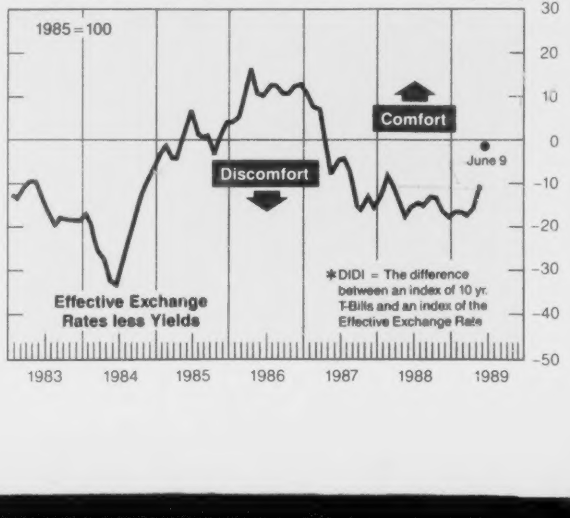


Source: Center for International Business Cycle Research, Columbia University



Sources: Morgan Guaranty Trust Company; Department of Treasury; *The Sommers Letter*

The Domestic-International Discomfort Index (DIDI)*



*DIDI = The difference between an index of 10 yr. T-Bills and an index of the Effective Exchange Rate

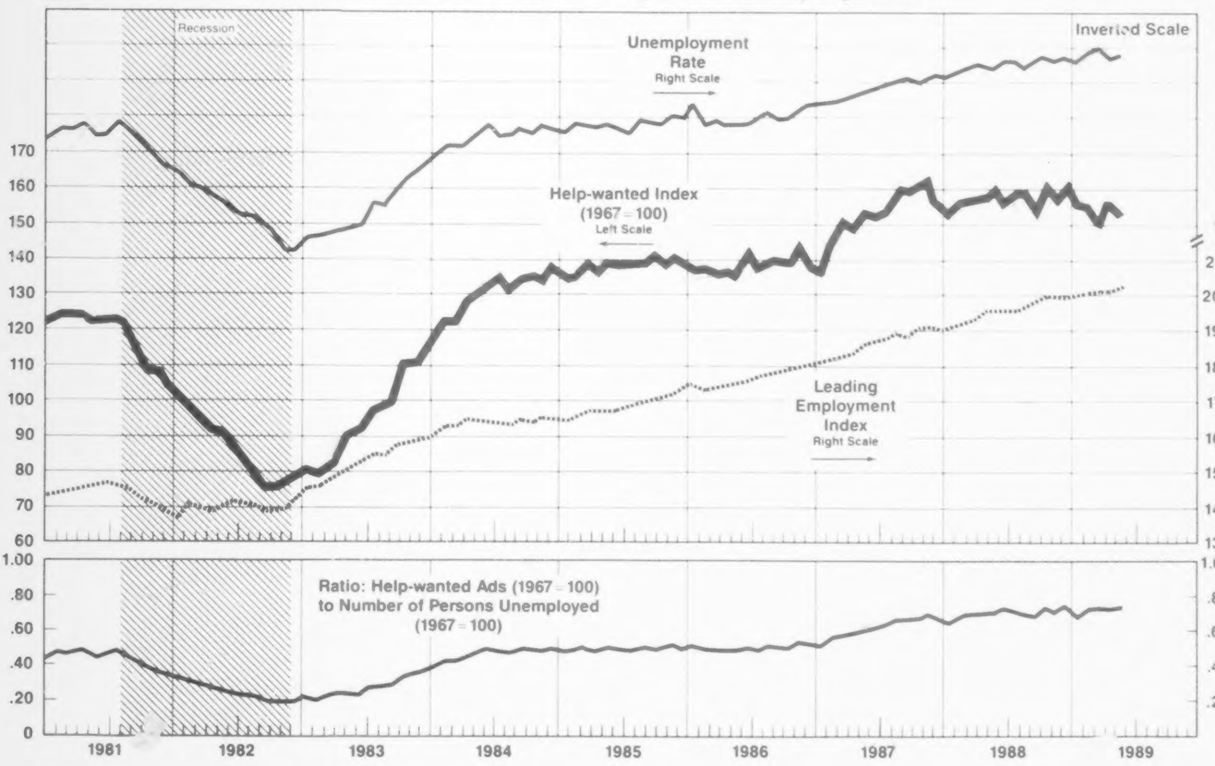
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1989 Apr.	1989 Mar.	1989 Feb.	1988 Apr.
National Index	157	151	155	157
New England	122	119	131	161
Boston	117	113	126	151
Hartford	119	123	129	175
Providence	143	136	149	183
Middle Atlantic	83	79	83	87
Albany	190	191	195	223
Allentown	354	393	375	360
New York	54	50	56	60
Philadelphia	73	66	68	75r
Pittsburgh	111	96	101	98
Rochester	104	101	115	104
Syracuse	165	153	161	159
East North Central	105	101	107	106r
Chicago	96	103	111	112r
Cincinnati	176	162	168	173
Cleveland	82	69	76	72
Columbus	N.A.	163	173	174
Dayton	99	93	94	95
Detroit	61	58	63	55
Gary	235	202	205	190
Indianapolis	138	135	134	131
Milwaukee	95	87	90	94r
Toledo	148	129	133	138
West North Central	113	100	102	103r
Kansas City	152	138	138	152
Minneapolis	N.A.	N.A.	91	88
Omaha	199	166	174	166r
St. Louis	78	69	71	71
South Atlantic	212	187	202	218r
Atlanta	248	232	250	287
Baltimore	236	206	215	248r
Charlotte	215	201	211	207
Jacksonville	227	212	226	240
Miami	N.A.	159	170	176
Richmond	164	129	147	123
Washington, D.C.	N.A.	N.A.	184	197
East South Central	183	173	169	183
Birmingham	202	197	188	196
Knoxville	344	333	320	312
Louisville	N.A.	99	104	110
Memphis	155	142	138	156
Nashville	202	179	173	215
West South Central	189	203	190	183r
Dallas	143	139	133	161
Houston	280	338	300	271r
New Orleans	140	127	137	128
Oklahoma City	128	126	120	118
San Antonio	153	153	150	137
Tulsa	180	164	163	137
Mountain	322	330	325	310
Denver	N.A.	206	211	199
Phoenix	441	410	394	430
Salt Lake City	441	460	448	357
Pacific	269	256	263	254r
Los Angeles	174	165	173	171
Sacramento	530	489	492	470
San Bernardino	341	332	307	327r
San Diego	668	670	666	614
San Francisco	263	246	273	256
Seattle	286	265	260	249
Percentage of papers with rising volume	82	31	41	63r
Unemployment rate	5.3	5.0	5.1	5.5

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available.

Help-wanted Advertising and Unemployment



Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7	116.9	112.9	119.4
1989	115.8	120.7	117.4	116.6r	117.8p							

Expectations Index

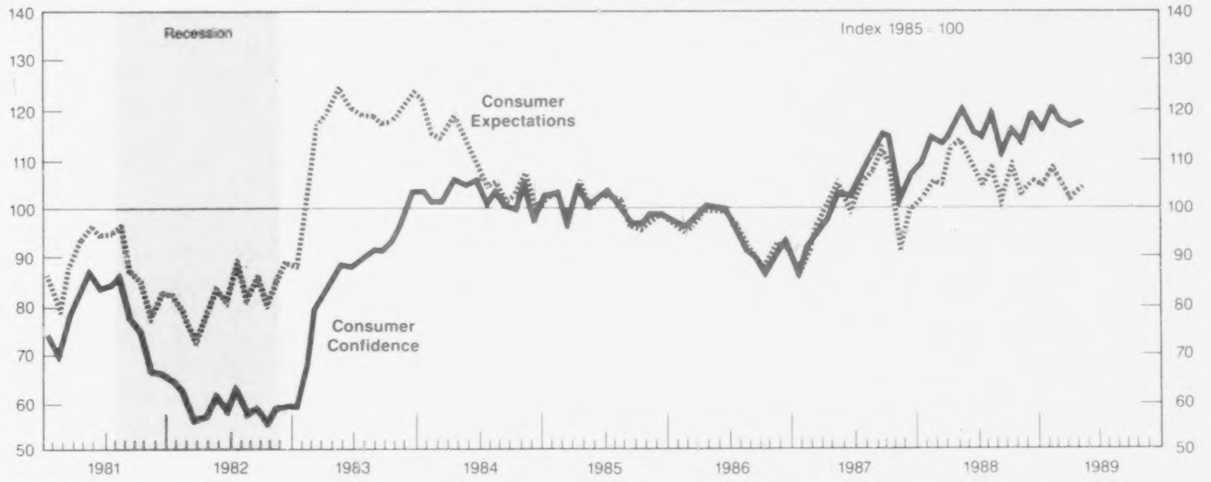
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1	109.3	102.0	105.6
1989	104.1	108.3	104.9	101.8r	104.4p							

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

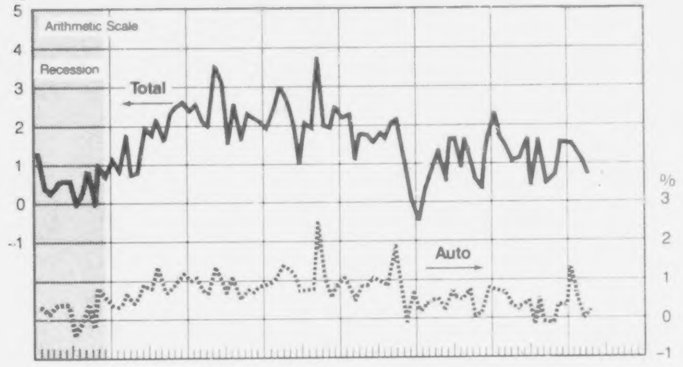
	1987				1988			Percent Change From Previous Year Actual	Estimate
	II-87	III-87	IV-87	I-88	II-88	III-88(r)	IV-88(p)	1988	1989
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	32.257	29.561	35.909	30.846	40.686	40.384	53.774	39%	8%
Capital expenditures	25.933	27.381	29.820	29.412	31.718	36.037	41.216	33	13
Change in appropriations backlog*	5.460	-0.080	3.510	0.650	8.760	-4.110	-10.140		
Durable Goods									
New appropriations	16.515	17.208	20.245	14.310	20.261	20.791	25.859	27	13
Capital expenditures	14.006	13.970	16.037	15.760	16.910	19.526	20.226	31	21
Change in appropriations backlog*	2.310	2.930	3.810	-1.600	3.670	-1.080	-4.730		
Nondurable Goods									
New appropriations	15.742	12.353	15.664	16.536	20.425	19.593	27.915	52	5
Capital expenditures	11.927	13.411	13.783	13.632	14.808	16.511	20.990	35	8
Change in appropriations backlog*	3.160	-3.010	-0.300	2.250	5.090	-3.030	-5.410		
ELECTRIC & GAS UTILITIES									
New appropriations	5.605	5.174	6.286	8.083	4.439				
Capital expenditures	7.072	7.771	6.590	6.857	6.620				
Change in appropriations backlog*	-1.610	-2.840	-0.430	1.235	-2.630				

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

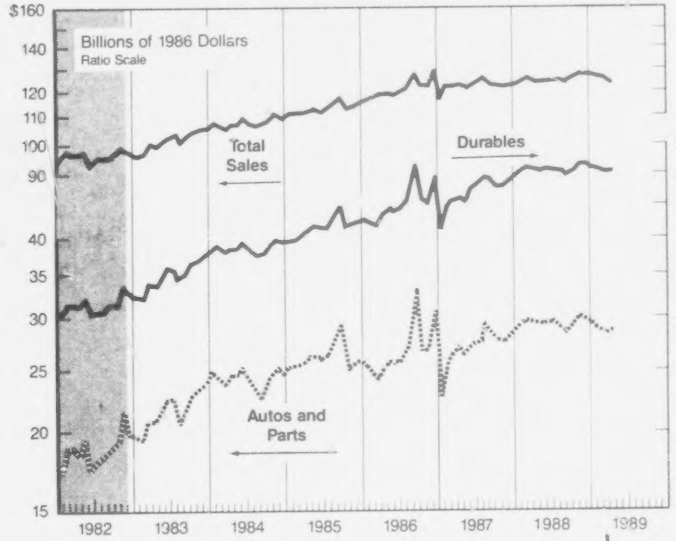
r—revised p—preliminary

* Change in Backlog = New Appropriations – (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



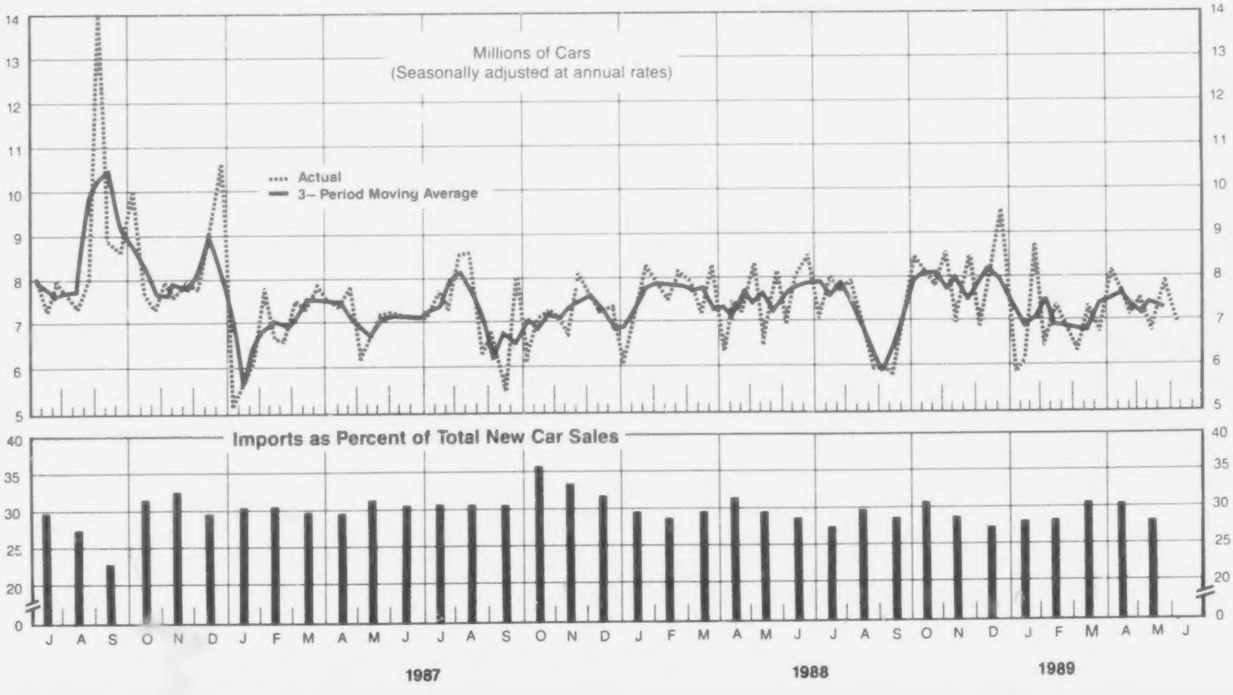
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1986	1987	1988	1989
January:	1-10	8.37	5.15	6.06	5.86
	11-20	8.74	5.52	7.29	6.06
	21-31	8.26	6.13	8.25	8.64
February:	1-10	7.88	7.78	7.83	6.40
	11-20	8.95	6.64	7.44	7.37
	21-28(29)	6.15	6.58	8.17	6.86
March:	1-10	7.69	7.53	7.81	6.32
	11-20	7.57	7.27	7.13	7.28
	21-31	6.52	7.81	8.28	6.74
April:	1-10	8.79	7.48	6.33	8.18
	11-20	7.06	7.34	7.43	7.66
	21-30	7.75	7.76	7.23	7.03
May:	1-10	8.62	6.16	8.36	7.49
	11-20	8.86	6.66	6.53	6.72
	21-31	7.33	7.19	8.12	7.99
June:	1-10	8.48	7.21	6.88	6.93
	11-20	8.04	7.13	8.00	
	21-30	8.39	7.09	8.48	
July:	1-10	8.10	7.10	7.02	
	11-20	7.28	7.68	7.99	
	21-31	7.97	7.29	7.69	
August:	1-10	7.63	8.55	7.95	
	11-20	7.34	8.60	7.01	
	21-31	8.08	6.26	5.92	
September:	1-10	14.00	6.74	5.93	
	11-20	8.83	5.45	5.80	
	21-30	8.62	8.03	7.40	
October:	1-10	10.04	6.13	8.43	
	11-20	7.67	7.10	8.08	
	21-31	7.27	7.24	7.78	
November:	1-10	7.96	7.15	8.55	
	11-20	7.59	6.68	6.97	
	21-30	7.89	8.09	8.46	
December:	1-10	7.75	7.60	6.84	
	11-20	8.77	7.22	8.31	
	21-31	10.68	7.31	9.54	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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Statistical ReferenceIndex
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STATISTICAL BULLETIN

Highlights

- LABOR MARKET CONTINUES TO COOL
- SLOWER GROWTH IN SPENDING POWER IS EASING CONSUMER DEMAND
- THE PACE OF NEW ORDERS IS CONTRACTING
- INDUSTRIAL OUTPUT GROWTH IS TURNING SLUGGISH AND CAPACITY UTILIZATION RATES HAVE STABILIZED.
- ON THE INFLATION WATCH: PRICE INCREASES ARE SLOWING AND WILL NOT QUICKEN IN THE SECOND HALF OF 1989
- OUTLOOK • U.S. ECONOMIC GROWTH WILL BE SLUGGISH IN THE THIRD QUARTER AND MAY COME TO HALT LATE THIS YEAR OR EARLY NEXT YEAR.

Volume 22, No. 7, July, 1989

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The U.S. economic expansion is slowing. Signs of this development appear across the board, including sluggish consumer spending, labor market activity, home building, industrial production, and inventory accumulation. In contrast, signs of strength are limited to rising exports and investment intentions. Even the topic of concern has changed—from recession to inflation. The economy at mid-year has departed sharply from the robust expansion that prevailed as 1989 got underway. And the consensus of the **Economic Forecasts** is that by year-end 1989, the curtain may well have fallen on this long expansion.

Any number of developments could pop up between now and new year's eve. Four specifics, however, warrant surveillance. Two deal with threats to remaining strong points of the economy. The rise in exports, tied as it is to conditions abroad, could soften. There is already some anecdotal evidence to that effect. Second, investment intentions could be deferred if conditions deteriorate. That does not loom as highly probable, but bears watching. Third is the ever-present chance for a buildup in inventory. Finally, the economic outlook for the second half of 1989 will be positively influenced by speed and extent of further declines in interest rates.

DOMESTIC MARKET MONITOR

The long-anticipated slowing in labor market activity has arrived, but pockets of strength are still evident. Total employment was only 0.3% higher in June than three months earlier. Total hours worked was only 0.2% higher, as a result of a cut in the length of the workweek. And The Conference Board's Help-wanted Index, a measure of labor demand, is now falling, based on early returns to the June survey.

Moreover, the softening is occurring in precisely the sectors, durable manufacturing and construction for example, one would expect if the overall economic environment were to weaken. But service jobs continue to rise—sharply in the case of business, health, and other services. In all, the **Economic Forecasts** continue to predict a rise in the unemployment rate to just under 6% by this time next year. That suggests continued cooling off—albeit quite gradual.

INCOME: The rise in wages has also slowed, but from a quite robust pace. Wages in commodity-producing industry were 1.1% higher in May than three months earlier. Wages in the "other industry" category were 2% higher. By themselves, those increases look fairly strong. But they pale somewhat when compared to gains more than three months ago. And with job growth slowing, and no real change in average hourly rates, wage growth is unlikely to rebound.

Nonwage income growth also fell but for different reasons. Interest rates are now falling and so is interest income. Rental income continued its year-long slide. But dividend payout remains strong, at least for now.

Consumer credit demand was still rising somewhat sharply through May, but no doubt has moderated since then. Car loans were already sluggish, so the rise in borrowing through May was related to revolving credit. But with sales of other consumer big ticket items turning soft, that form of borrowing has likely dropped off.

Job growth and pay raises may have softened, but consumer confidence has not. The Conference Board's **Consumer Confidence Index** was at the same level in June as in March. The **Expectations Component**, which measures appraisal of job and pay prospects over the next six months, actually rose. The appraisal of inflation has not changed. Consumers still expect inflation not to exceed 5% over the next 12 months, but more of them expect interest rates to fall in the next 12 months. Nevertheless, sluggish pay and job growth will put a damper on buoyant consumer spirits.

SPENDING: Buying patterns tell a different story from survey responses. Retail sales of durables, except cars, were only 0.4% lower in June than in May, principally reflecting declines in sales of building material and hardware. In contrast, sales of nondurable goods were 0.2% higher. This may suggest that consumers are already responding to some household budget tightening. Slower job growth in June suggest that more budget adjusting is likely over the next few months.

Car buying, of course, has been sluggish for some time. In June, new domestic **Automobile Sales** dropped to a seasonally adjusted 6.9 million annual rate, down from 7.4 million in May. Sales revived somewhat in early July.

CONSTRUCTION: Home buying is still falling, while home prices continue to rise, contributing to a buildup in the stock of unsold homes—despite declining new construction activity. The recent sharp slide in rental income shows that the market for apartments is not in much better shape. The only bright spot is that mortgage rates were inching lower in June. This development is unlikely to stir building activity, or buying, this summer.

Capital investment was relatively flat in the first quarter of 1989, according to The Conference Board's survey of **Capital Appropriations and Expenditures by** the nation's largest manufacturers, but investment plans remained very strong. The latest data on construction activity suggest that in the second quarter, spending on plant and equipment

Ken Goldstein, Editor

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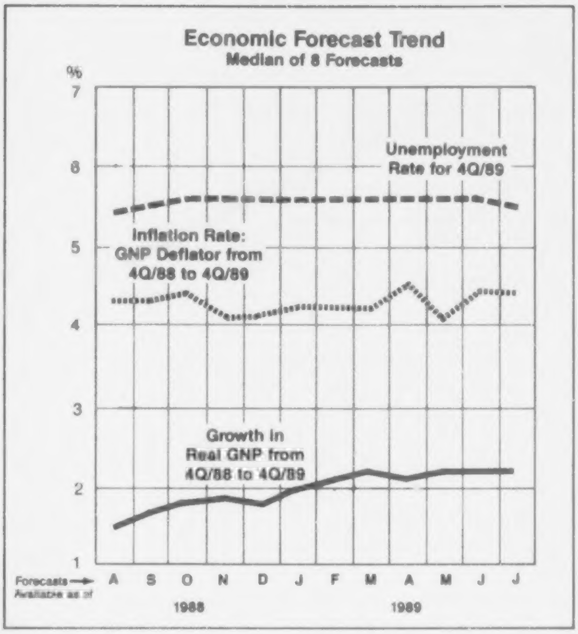


may have remained relatively weak. However, the numbers on appropriations (approval of new spending plans) suggest that such spending will strengthen later this year. That outlook is consistent with the views expressed by survey respondents with respect to their capital budget proposals for this year.

PRODUCTION: Export growth remains the most positive influence on industrial conditions. Softening demand for consumer durables and reduced government spending on hardware are the negatives. The output of consumer durables was 0.6% lower in May than three months earlier, while the production of defense- and space-related materiel was 0.7% lower. Those declines offset a 1.2% rise in output of business equipment, resulting in a 0.6% rise in total industrial output. And with declines in durable-manufacturing employment in June, and a decline in the average workweek, total output probably dipped that month.

Industrial output growth is unlikely to snap back after June. New orders for durable goods, except for defense-related materiel, were no higher in May than three months earlier. Nevertheless, the ratio of unfilled orders to shipments, was 2% higher. That suggests producers have lowered the pace of filling orders, cut the length of the work-week, stopped hiring new workers, and even laid a few off. In other words, industry is scaling the workflow back to the pace of the ordering flow.

INVENTORY: Despite efforts to scale down production schedules, inventory has begun to rise faster than industrial sales. Total inventory, except cars at the retail level, was 1.1% higher in April than three months earlier, while sales were 0.9% higher. At the moment, only sales to customers abroad are still rising sharply.

INFLATION: The threat of acceleration has passed—for now. The average hourly pay rate was basically unchanged in June. Prices paid to farmers and for industrial raw materials fell in June, for the second straight month; wholesale prices for crude materials fell for the third straight month. The consensus of the **Economic Forecasts** is that the CPI will stay at about a 5% annual rate in the second half of this year and will not accelerate next year.

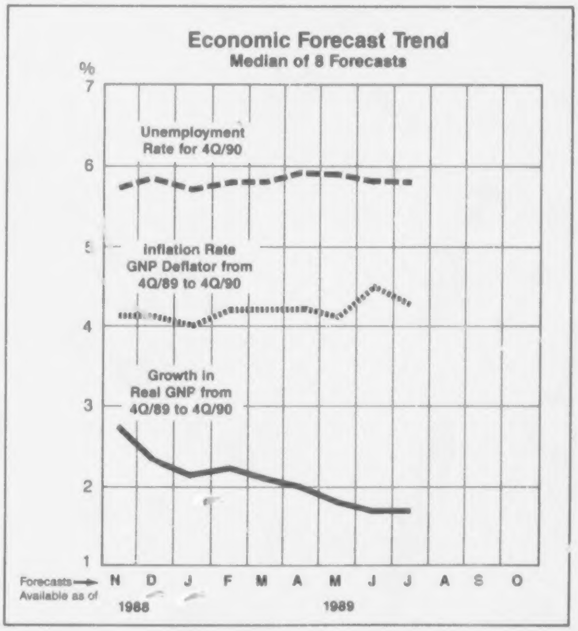
INTERNATIONAL MONITOR

Slower growth in consumer spending has affected foreign producers more than domestic suppliers. Specifically, imports of consumer goods except cars, were 0.3% lower in April than two months earlier. Imports of capital goods dropped 4.5 percent. Down the road, the rise in the dollar will make imports more price attractive. But for the moment, the trade balance is narrowing.

In contrast, exports of consumer goods, except cars, were 13% higher in April than three months earlier. Strong economic growth in some of the U.S.'s major trading partners (see the **Selected International Comparisons)** remains the most important factor in this trade improvement.

Slower domestic economic growth and declining interest rates helped stem the rapid rise in the dollar. In fact, the combination of somewhat lower interest rates and little upward movement in the dollar's exchange value translated to little change in the **Domestic-International Discomfort Index** (DIDI) in June, following the rapid improvement in May. Indeed, in no small part, the earlier strong rise in the dollar helped set the stage for declining interest rates. Will the dollar remain strong if U.S. economic growth grinds to a halt later this year? Stay tuned.

Ken Goldstein
July 14, 1989

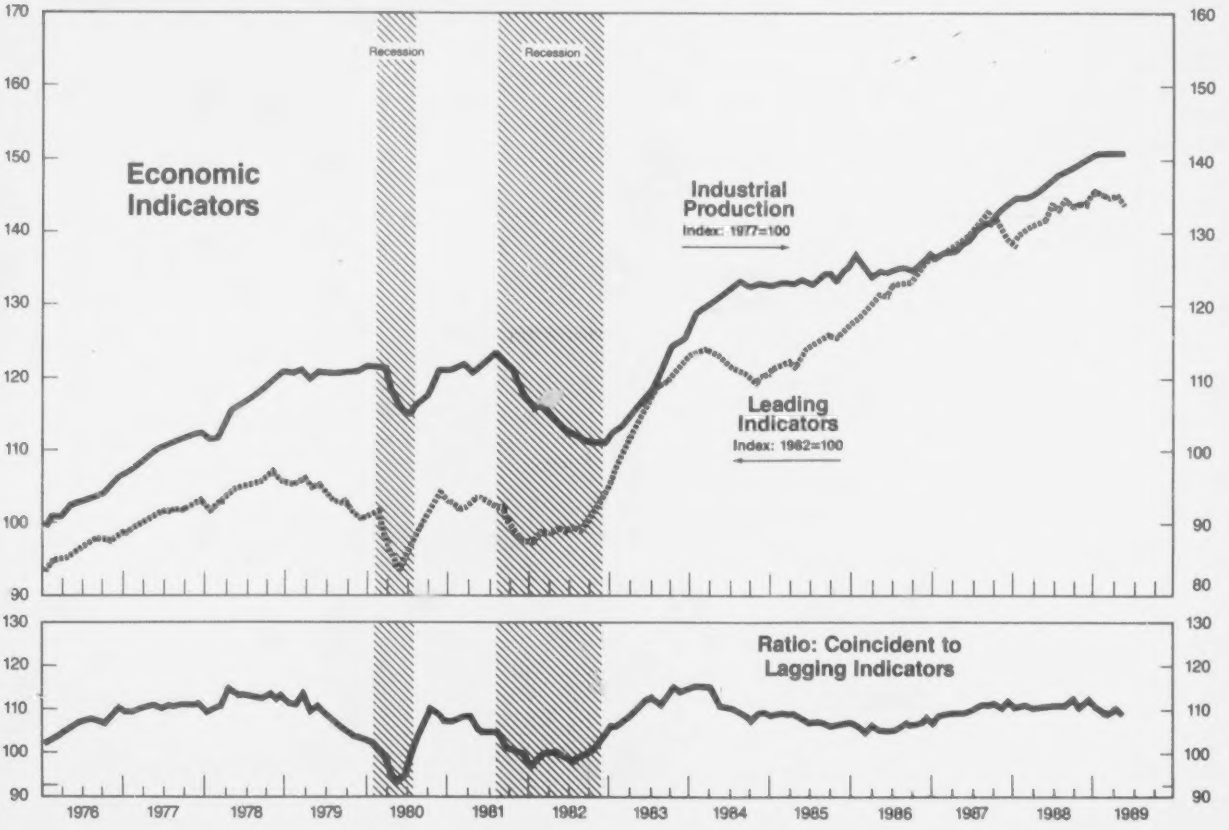


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	May			X	– 1.2%	1.6%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	May		X		2.8%	11.2%
New orders, nondefense capital goods (deflated)	Apr.	X			0.6%	13.0%
New business formation	Apr.			X	– 0.2%	2.9%
*Housing permits	May		X		– 4.0%	– 6.2%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May		X		– 1.2%	0.2%
*Change in unfilled orders, mfg.	May			X	–15.7%	128.3%
Purchasing manager's buying policy	Apr.	X			8.5%	10.9%
*Vendor performance, reported slower deliveries	May			X	– 7.5%	–12.9%
Industrial raw materials prices	May		X		0.7%	9.9%
*Change in sensitive material prices	May			X	– 30.7%	2.0%
Sensitive Financial Flows						
*Money balance (M2 deflated)	May			X	– 1.6%	– 2.7%
Change in business loans	Apr.			X	– 41.9%	–46.0%
*Consumer expectations	May			X	– 9.8%	– 8.2%
Change in consumer installment debt	Apr.			X	–87.9%	–20.0%
Profitability						
Total corporate profits, after tax (deflated)	1st.Q			X	– 3.1%	11.1%
*Common stock prices	May	X			6.8%	22.6%
Aprginal Employment Adjustments						
*Average workweek, mfg.	May		X		– 0.1hr	– 0.1hr
*Initial unemployment claims (inverted)	May			X	– 3.0%	– 2.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

	1988	1989			
DIFFUSION INDEXES	May	Feb.	Mar.	Apr.	May(e)
Principal Diffusion Index	58.3r	55.5	54.3	54.8r	53.8
Auxillary Diffusion Index	47.0r	36.0	46.1	51.5r	46.9
Industrial Group	58.2r	51.8	525	56.3r	54.2
Nonindustrial Group	58.5r	59.2	56.2	53.2r	53.5
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	62.0	62.8	63.2	68.8r	69.2
Labor	54.1r	49.0	47.1	48.6	44.2
Miscellaneous	62.8r	42.3	50.0	57.1	56.4
Nonindustrial Subgroups					
Prices	53.2	60.9	60.3	59.6	59.0
Consumer	65.8r	62.0	57.3	58.1	63.7
Building	52.6r	57.7	56.4	47.4	46.8
Miscellaneous	58.5	56.4	52.1	47.9r	44.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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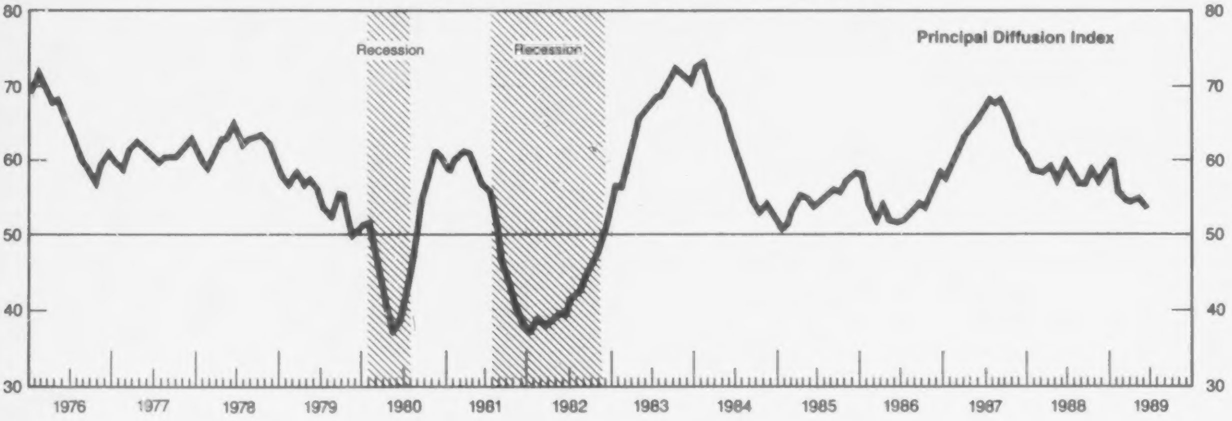
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1986		*1987*				*1988*				*1989*	
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)											
Measure of Business Confidence	50	51	55	55	59	47	51	58	56	51	48	48
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	44	50	56	55	62	50	49	64	65	54	52	48
2. Expectations for Economy, Six Months Ahead	52	51	54	53	56	43	50	54	51	48	43	47
3. Expectations for Own Industry, Six Months Ahead	54	53	56	56	58	48	54	55	53	51	48	50

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Capital Markets		E.I. duPont[3] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*June, 1989*		*June, 1989*		*June, 1989*		*June, 1989*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1989**	**I**	**$5099.0**	**8.2%**	**$5099.0**	**8.2%**			**$5099.0**	**8.2%**
Forecast	1989	II	$5198.1	8.0	5195.0	7.7	$5204.8	7.1%	5173.0	5.9
		III	5225.1	2.1	5261.3	5.2	5281.6	6.0	5250.5	6.1
		IV	5255.0	2.3	5320.6	4.6	5344.2	4.8	5327.8	6.0
	1990	I	5296.6	3.2	5399.7	6.1	5403.1	4.5	5407.3	6.1
		II	5378.6	6.3	5494.6	7.2	5463.5	4.5	5462.5	4.1
		III	5472.2	7.1	5589.8	7.1	5527.8	4.8	5521.4	4.4
		IV	5563.7	6.9	5693.5	7.6	5611.2	6.2	5621.8	7.5
	1991	I	5673.6	8.1			5703.5	6.7		
		II	5783.0	7.9			5813.0	7.9		
	1989	Annual	5194.3	6.8	5219.0	7.3	5236.9	7.7	5212.6	7.2
	1990	Annual	5427.8	4.5	5544.4	6.2	5501.4	5.1	5503.3	5.8
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1989**	**I**	**$4077.5**	**4.4%**	**$4077.5**	**4.4%**			**$4077.5**	**4.4%**
Forecast	1989	II	4093.0	1.5	4102.2	2.4	$4108.0	2.0%	4086.1	0.8
		III	4069.1	−2.3	4099.3	−0.3	4123.0	1.5	4108.4	2.2
		IV	4056.1	−1.3	4093.6	−0.6	4130.0	0.7	4123.7	1.5
	1990	I	4038.9	−1.7	4107.3	1.3	4134.0	0.4	4130.9	0.7
		II	4062.1	2.3	4132.0	2.4	4139.0	0.5	4122.6	−0.8
		III	4093.8	3.2	4160.3	2.8	4150.0	1.1	4117.4	−0.5
		IV	4124.7	3.1	4190.4	2.9	4175.0	2.4	4145.9	2.8
	1991	I	4164.1	3.9			4203.0	2.7		
		II	4205.0	4.0			4240.0	3.6		
	1989	Annual	4073.9	1.9	4093.2	2.4	4112.3	2.9	4098.9	2.6
	1990	Annual	4079.9	0.1	4147.5	1.3	4149.5	0.9	4129.2	0.7
Gross National Product deflator Index, 1982 = 100										
Actual	**1989**	**I**	**125.1**	**3.6%**	**125.1**	**3.6%**			**125.1**	**3.6%**
Forecast	1989	II	127.0	6.4	126.6	5.2	126.7	5.0%	126.6	5.0
		III	128.4	4.5	128.3	5.5	128.1	4.5	127.8	3.8
		IV	129.6	3.6	130.0	5.2	129.4	4.1	129.2	4.5
	1990	I	131.1	5.0	131.5	4.7	130.7	4.1	130.9	5.4
		II	132.4	3.9	133.0	4.7	132.0	4.0	132.5	5.0
		III	133.7	3.9	134.4	4.2	133.2	3.7	134.1	4.9
		IV	134.9	3.7	135.9	4.6	134.4	3.7	135.6	4.5
	1991	I	136.3	4.1			135.7	3.9		
		II	137.5	3.8			137.1	4.2		
	1989	Annual	127.5	4.7	127.5	4.7	127.3	4.6	127.2	4.5
	1990	Annual	133.0	4.3	133.7	4.3	132.6	4.1	133.3	4.8
Unemployment Rate										
Actual	**1989**	**I**		5.2%		5.2%		5.2%		5.1%
Forecast	1989	II		5.2		5.3		5.1		5.3
		III		5.4		5.4		5.2		5.2
		IV		5.7		5.9		5.3		5.1
	1990	I		6.1		6.1		5.6		5.0
		II		6.3		6.0		5.8		5.3
		III		6.4		5.9		6.0		5.7
		IV		6.5		5.8		6.0		5.9
	1991	I		6.4				5.8		
		II		6.2				5.8		
	1989	Annual		5.4		5.5		5.2		5.2
	1990	Annual		6.3		6.0		5.9		5.5

[1] Based on (second revision) quarter data.
[2] Based on revised first quarter data.
[3] Based on preliminary first quarter data.

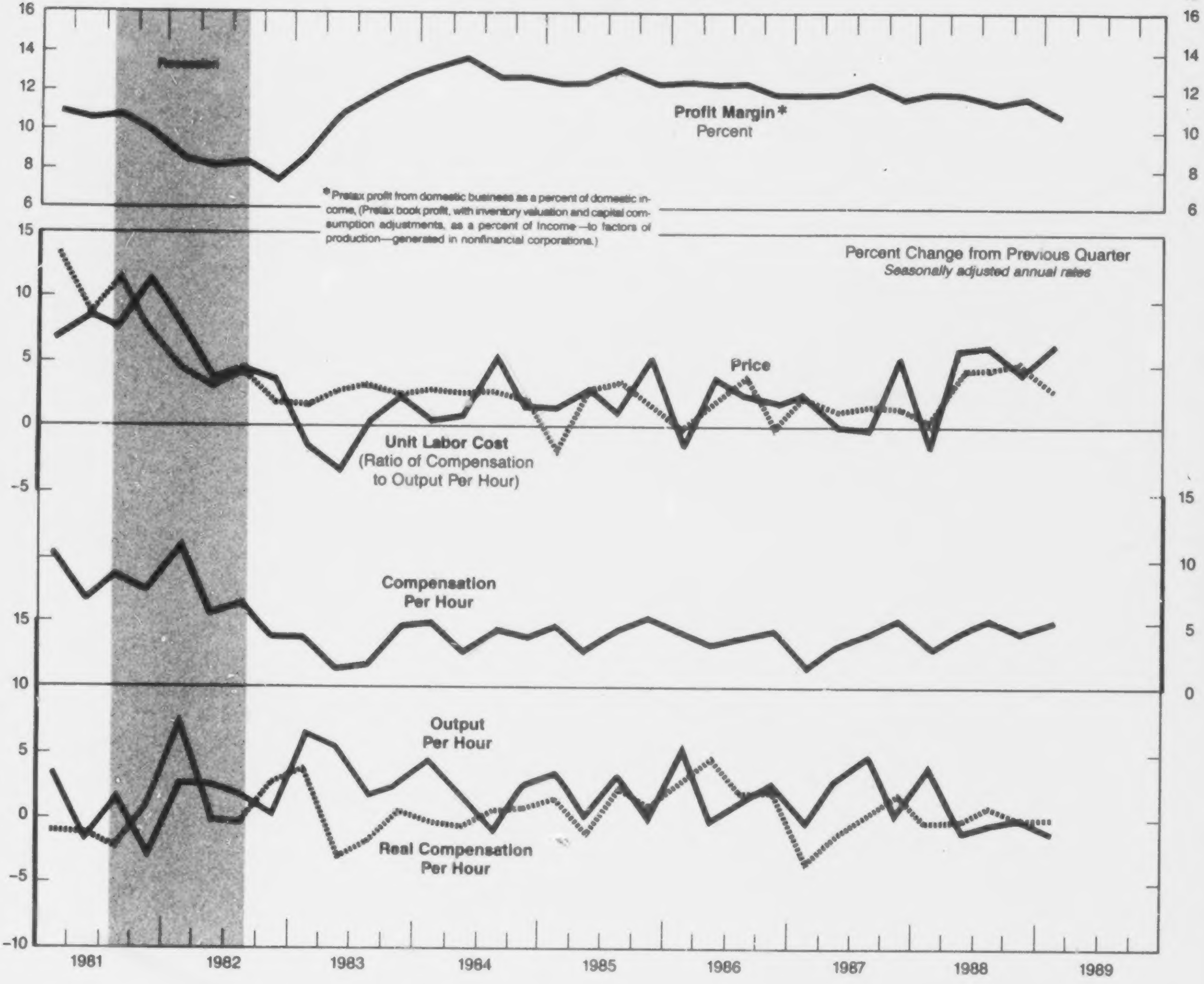
ECONOMIC FORECASTS (continued)

The Conference Board[2]		Laurence H. Meyer[1] Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
June, 1989		*June, 1989*		*June, 1989*		*June, 1989*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$5099.0	**8.2%**	**$5099.0**	**8.2%**	**$5099.0**	**8.2%**	**I**	**1989**	**Actual**
$5195.0	7.2%	5184.8	6.9	5189.8	7.3	5186.3	7.0	II	1989	Forecast
5277.0	6.5	5253.7	5.4	5254.4	5.1	5268.6	6.5	III		
5330.0	4.1	5331.9	6.1	5312.4	4.5	5349.6	6.3	IV		
5373.0	3.3	5419.6	6.7	5378.3	5.1	5439.7	6.9	I	1990	
5455.0	6.2	5494.8	5.7	5454.4	5.8	5539.6	7.6	II		
5571.0	8.8	5573.9	5.9	5527.8	5.5	5641.8	7.6	III		
5683.0	8.3	5656.9	6.1	5618.7	6.7	5746.8	7.7	IV		
		5755.7	7.2	5740.0	8.9	5853.1	7.8	I	1991	
		5853.4	7.0	5857.3	8.4	5960.0	7.5	II		
5226.8	7.5	5217.4	7.3	5213.9	7.2	5225.9	7.4	Annual	1989	
5520.5	5.6	5536.3	6.1	5494.8	5.4	5592.0	7.0	Annual	1990	
								Gross National Product Billions of Constant (1982) Dollars		
		$4077.5	**4.4%**	**$4077.5**	**4.4%**	**$4077.5**	**4.4%**	**I**	**1989**	**Actual**
$4097.0	2.0%	4095.0	1.7	4096.8	1.9	4098.3	2.1	II	1989	Forecast
4109.9	1.3	4109.1	1.4	4108.8	1.2	4113.7	1.5	III		
4100.0	−1.0	4127.3	1.8	4118.4	0.9	4132.9	1.9	IV		
4086.0	−1.4	4147.4	2.0	4121.0	0.3	4151.6	1.8	I	1990	
4098.4	1.2	4162.6	1.5	4139.3	1.8	4184.8	3.2	II		
4135.8	3.7	4180.1	1.7	4154.5	1.5	4220.1	3.4	III		
4166.4	3.0	4200.2	1.9	4181.8	2.7	4256.3	3.5	IV		
		4224.7	2.4	4225.1	4.2	4283.8	2.6	I	1991	
		4254.5	2.9	4264.1	3.7	4313.8	2.8	II		
4095.9	2.5	4102.2	2.7	4100.4	2.6	4105.6	2.7	Annual	1989	
4121.7	0.6	4172.6	1.7	4149.2	1.2	4203.2	2.4	Annual	1990	
								Gross National Product deflator Index, 1982 = 100		
		125.1	3.6%	125.1	3.6%	125.1	3.6%	I	1989	Actual
126.8	5.1%	126.6	5.1	126.7	5.3	126.5	4.9	II	1989	Forecast
128.4	5.1	127.9	4.0	127.9	3.9	128.1	4.9	III		
130.0	5.1	129.2	4.2	129.0	3.5	129.4	4.3	IV		
131.5	4.7	130.7	4.7	130.5	4.8	131.0	5.0	I	1990	
133.1	5.0	132.0	4.1	131.8	3.9	132.4	4.2	II		
134.7	4.9	133.3	4.1	133.1	4.0	133.7	4.0	III		
136.4	5.1	134.7	4.1	134.4	4.0	135.0	4.0	IV		
		136.2	4.7	135.9	4.5	136.6	4.9	I	1991	
		137.6	4.0	137.4	4.5	138.2	4.5	II		
127.6	4.8	127.2	4.5	127.2	4.5	127.3	4.6	Annual	1989	
133.9	5.0	132.7	4.3	132.4	4.1	133.0	4.5	Annual	1990	
								Unemployment Rate		
	5.2%		5.2%		5.1%		5.2%	**I**	**1989**	**Actual**
	5.3		5.2		5.3		5.3	II	1989	Forecast
	5.5		5.3		5.3		5.4	III		
	5.9		5.4		5.5		5.6	IV		
	6.2		5.5		5.7		5.7	I	1990	
	6.3		5.5		5.8		5.7	II		
	6.0		5.6		5.9		5.6	III		
	5.8		5.7		6.0		5.5	IV		
			5.6		5.9		5.4	I	1991	
			5.5		5.8		5.4	II		
	5.5		5.3		5.3		5.4	Annual	1989	
	6.1		5.6		5.8		5.7	Annual	1990	

CBDB

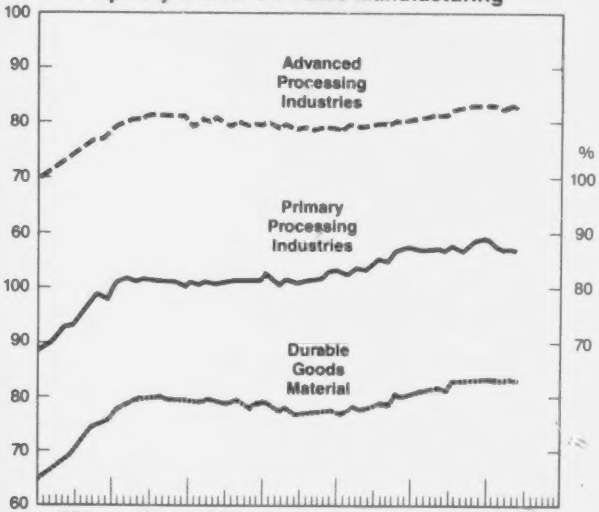
ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

Key Determinants of Profit Margin
Nonfinancial Corporations

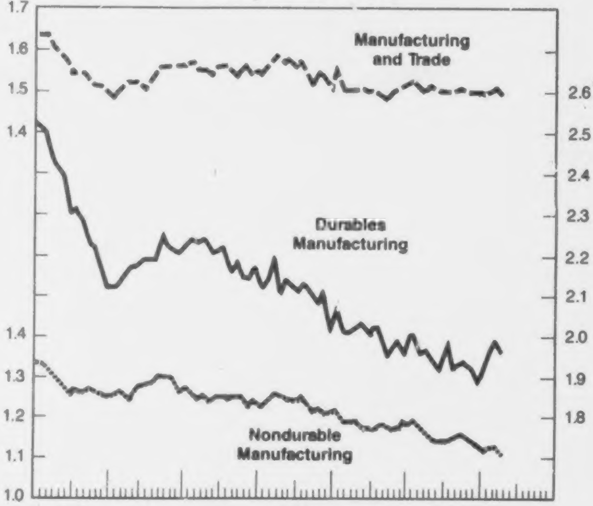


*Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



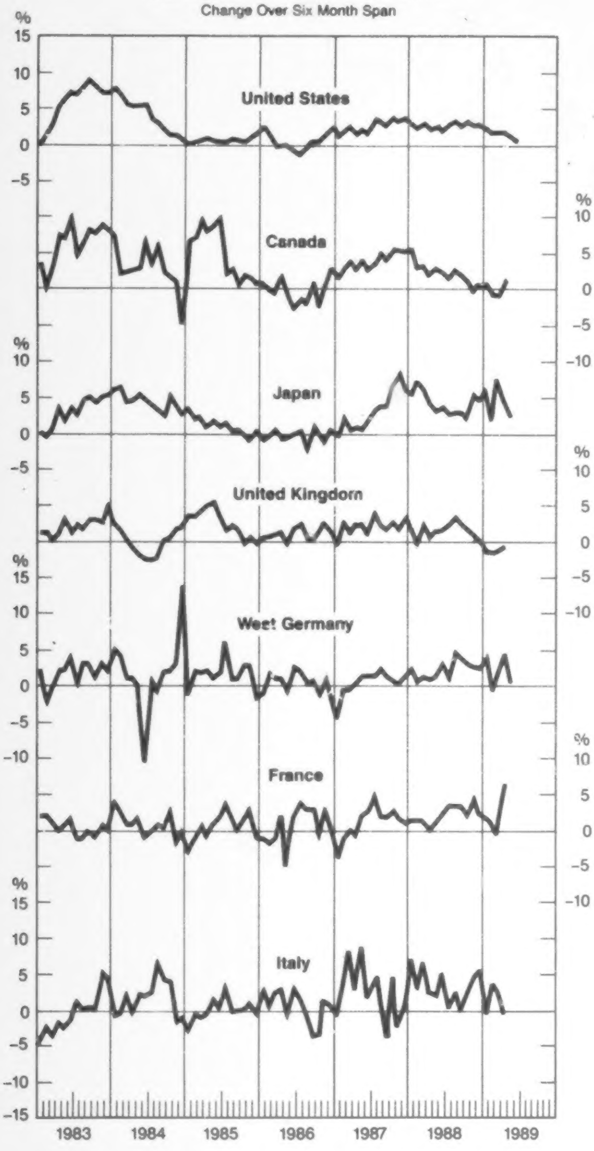
Inventory-Sales Ratios



Selected International Comparisons

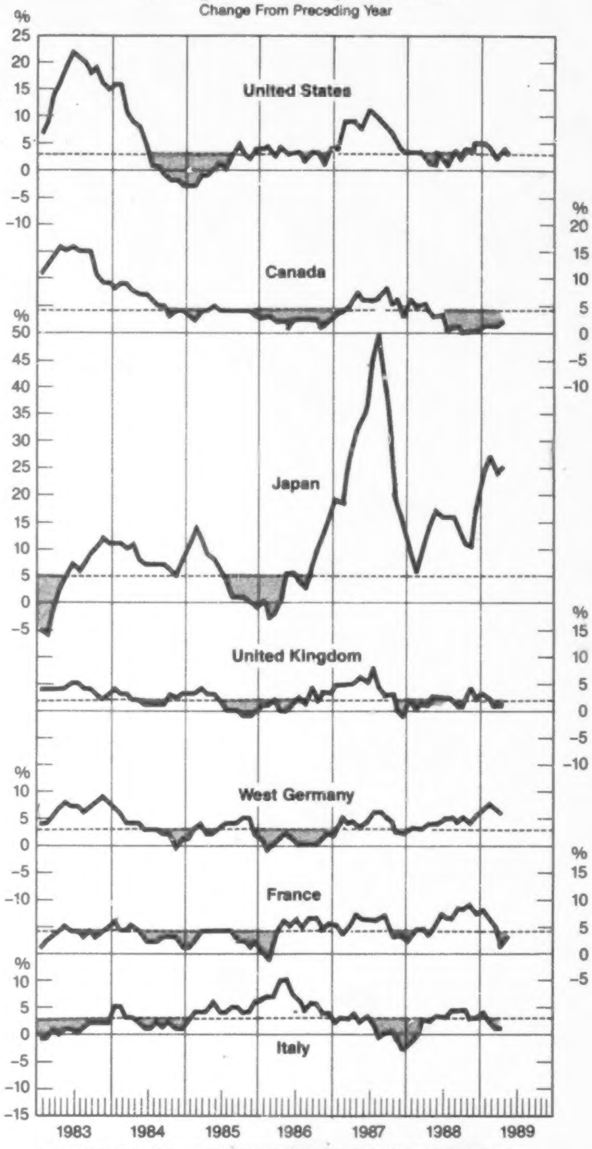
Industrial Production Indexes

Change Over Six Month Span

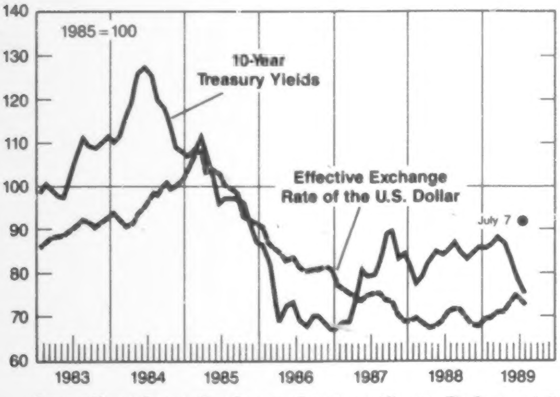


Leading Business Cycle Indexes

Change From Preceding Year

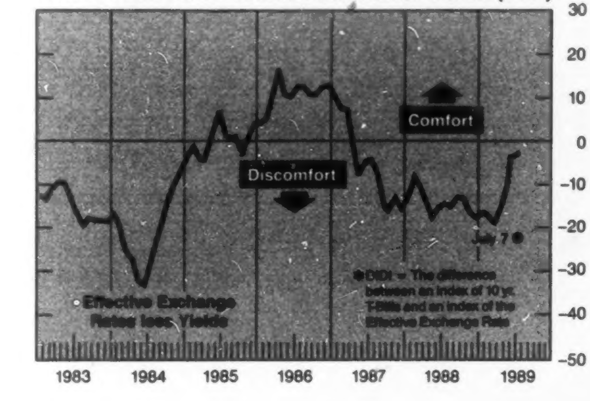


Source: Center for International Business Cycle Research, Columbia University



Sources: Morgan Guaranty Trust Company; Department of Treasury; *The Sommers Letter*.

The Domestic-International Discomfort Index (DIDI)*



*DIDI = The difference between an index of 10 yr. T-Bills and an index of the Effective Exchange Rate

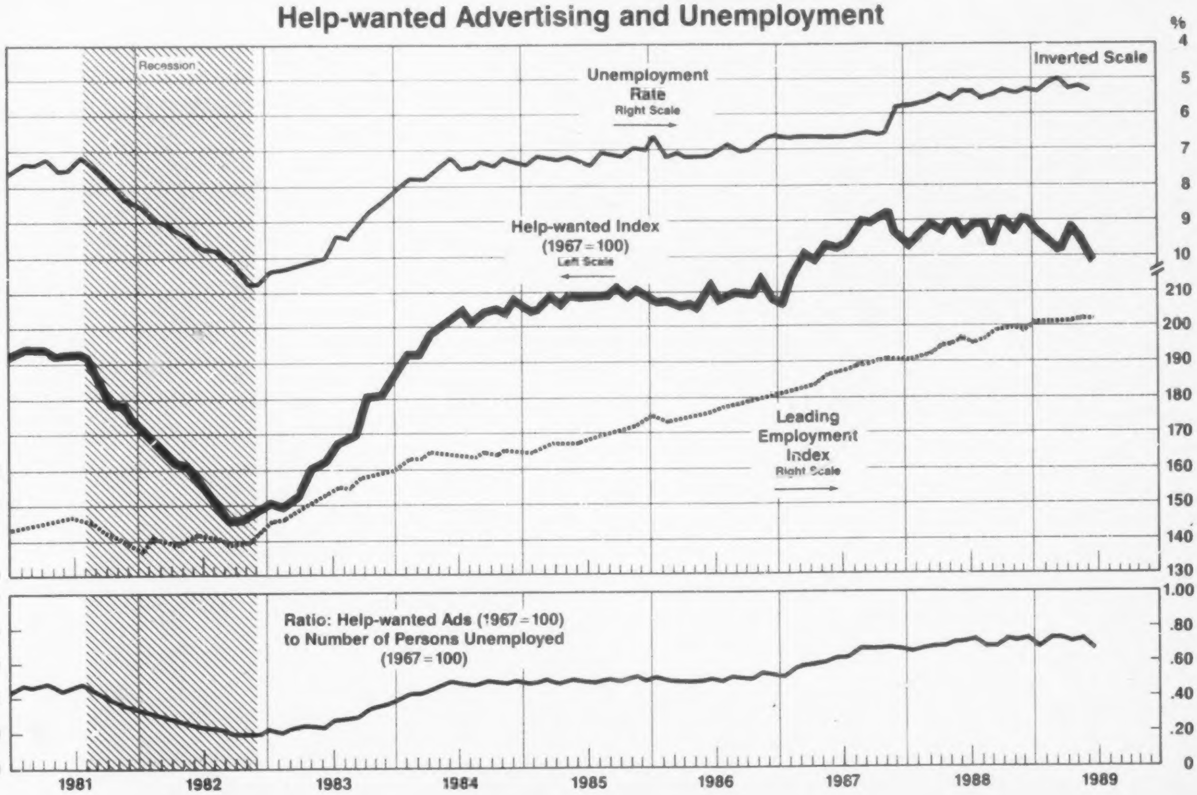
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

	1989	1988		1988
Locality	**May**	**Apr.**	**Mar.**	**May**
National Index	154	159r	151	160
New England	114	122	119	165r
Boston	110	117	113	161
Hartford	113	119	123	176r
Providence	128	143	136	168
Middle Atlantic	80	83	79	92r
Albany	180	190	191	216
Allentown	393	353	393	458
New York	51	54	50	62
Philadelphia	67	73	66	80r
Pittsburgh	100	111	96	102
Rochester	101	104	101	107
Syracuse	160	165	153	162
East North Central	103	110r	101	110
Chicago	105	112r	103	114
Cincinnati	160	176	162	173
Cleveland	75	82	69	80
Columbus	N.A.	N.A.	163	198
Dayton	90	99	93	97
Detroit	55	61	58	60
Gary	226	235	202	204r
Indianapolis	135	138	135	134
Milwaukee	93	95	87	89r
Toledo	136	148	129	146
West North Central	105	111r	99	109r
Kansas City	153	152	138	162
Minneapolis	84	96r	86r	93r
Omaha	192	199	166	177r
St. Louis	72	78	69	75
South Atlantic	199	209r	189r	216r
Atlanta	226	248	232	289
Baltimore	257	236	206	240
Charlotte	195	215	201	201
Jacksonville	219	227	212	238
Miami	N.A.	N.A.	159	174
Richmond	141	164	129	160
Washington, D.C.	163	179r	172r	188r
East South Central	186	183	173	191
Birmingham	201	202	197	203
Knoxville	301	344	333	323
Louisville	N.A.	N.A.	99	103
Memphis	147	155	142	149
Nashville	244	202	179	255r
West South Central	186	189	203	180
Dallas	147	143	139	162
Houston	279	280	338	254r
New Orleans	128	140	127	128
Oklahoma City	125	128	126	129
San Antonio	150	153	153	144
Tulsa	168	180	164	150
Mountain	336	337r	330	320
Denver	N.A.	207r	206	217
Phoenix	432	441	410	422
Salt Lake City	450	441	460	374
Pacific	270	268r	256	251
Los Angeles	173	174	165	176
Sacramento	532	530	489	485
San Bernardino	351	337r	332	N.A.
San Diego	669	668	670	602
San Francisco	269	263	246	254
Seattle	288	286	265	255
Percentage of papers with rising volume	24	86r	31	73
Unemployment rate	5.2	5.3	5.0	5.6

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available.

Help-wanted Advertising and Unemployment



Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

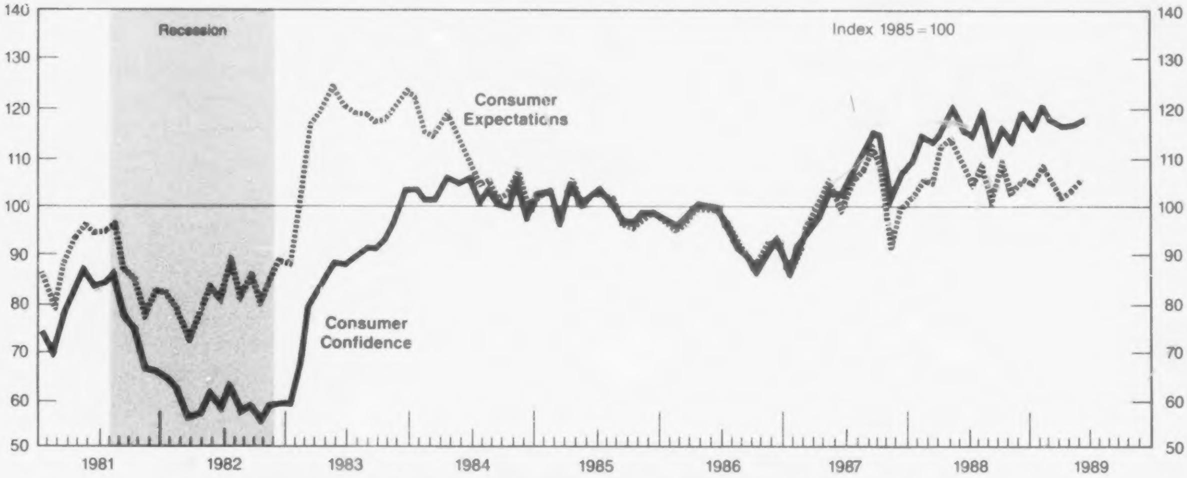
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7	116.9	112.9	119.4
1989	115.8	120.7	117.4	116.6	116.7r	117.5p						
Expectations Index												
1985	102 5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1	109.3	102.0	105.6
1989	104.1	108.3	104.9	101.8	103.0r	105.5p						

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS

Billions of Dollars, Seasonally Adjusted

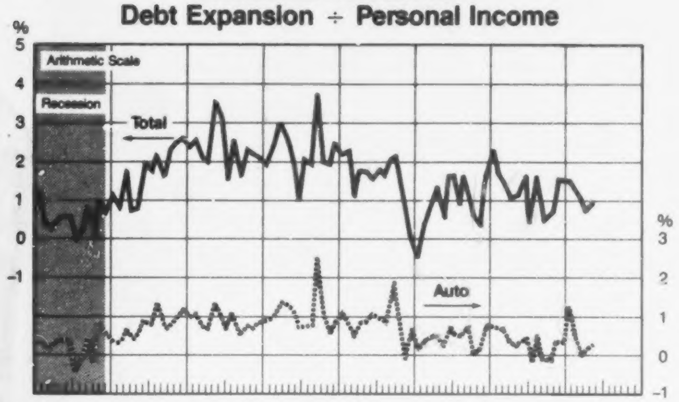
	1987			1988				Percent Change From Previous Year Actual	Estimate
	III-87	IV-87	I-88	II-88	III-88	IV-88(r)	I-89(p)	1988	1989
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	29.561	35.909	30.846	40.686	40.384	45.279	50.009	39%	16%
Capital expenditures	27.381	29.820	29.412	31.718	36.037	35.281	35.331	33	18
Change in appropriations backlog*	–0.080	3.510	0.650	8.760	–4.110	8.630	14.340		
Durable Goods									
New appropriations	17.208	20.245	14.310	20.261	20.791	23.547	18.129	27	14
Capital expenditures	13.970	16.037	15.780	16.910	19.526	16.657	17.032	31	28
Change in appropriations backlog*	2.930	3.810	–1.600	3.670	–1.080	6.240	1.340		
Nondurable Goods									
New appropriations	12.353	15.664	16.536	20.425	19.593	21.732	31.880	52	17
Capital expenditures	13.411	13.783	13.632	14.808	16.511	18.624	18.299	35	12
Change in appropriations backlog*	–3.010	–0.300	2.250	5.090	–3.030	2.390	13.010		

Available on request: Historical data from 1953, and quarterly reports containing text and data for 17 separate manufacturing industries.

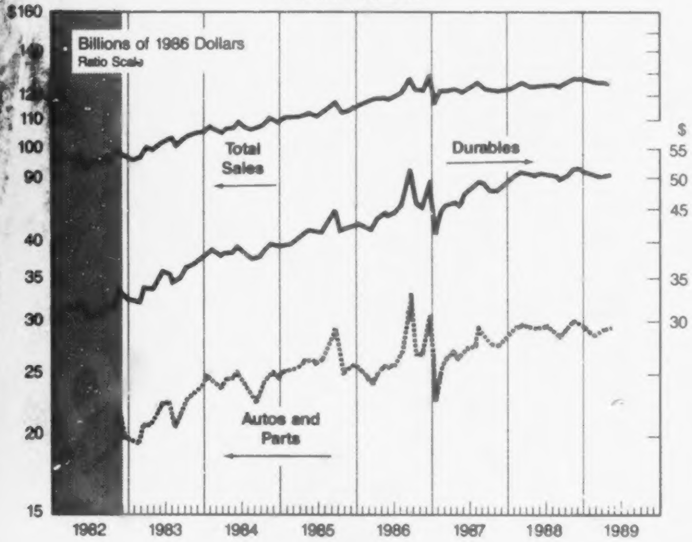
r—revised p—preliminary

* Change in Backlog = New Appropriations – (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



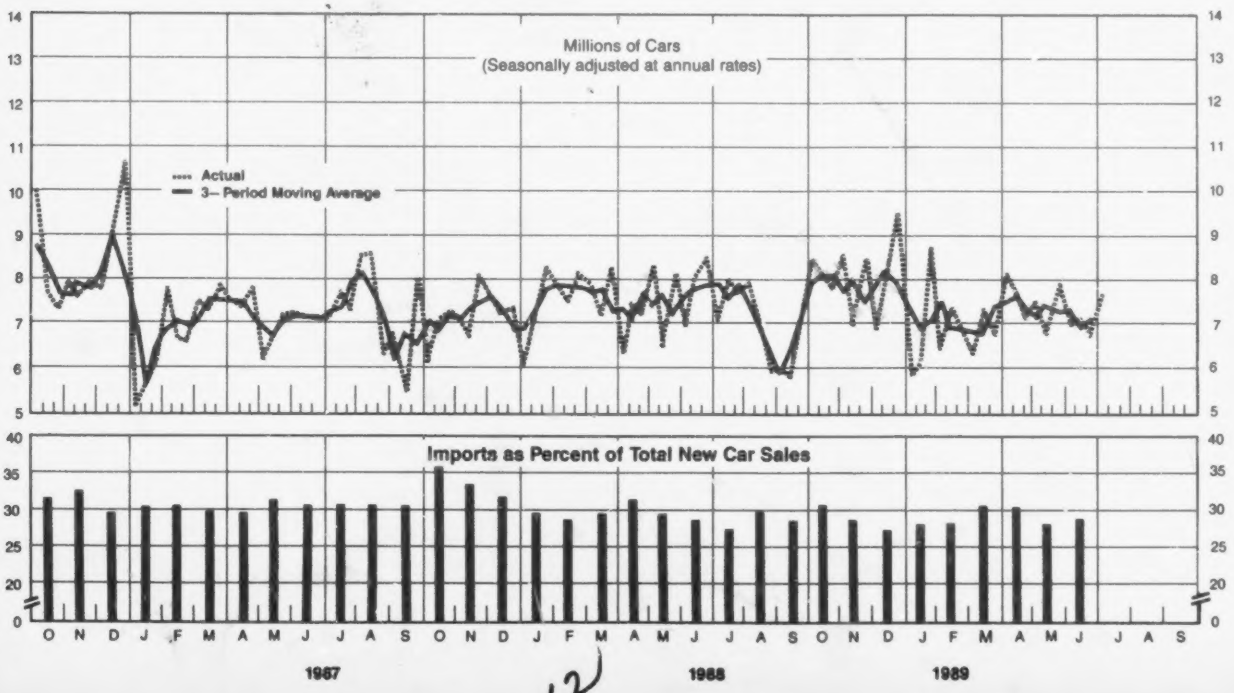
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1986	1987	1988	1989
January:	1-10	8.37	5.15	6.06	5.86
	11-20	8.74	5.52	7.29	6.06
	21-31	8.26	6.13	8.25	8.64
February:	1-10	7.88	7.78	7.83	6.40
	11-20	8.95	6.64	7.44	7.37
	21-28(29)	6.15	6.58	8.17	6.86
March:	1-10	7.69	7.53	7.81	6.32
	11-20	7.57	7.27	7.13	7.28
	21-31	6.52	7.81	8.28	6.74
April:	1-10	8.79	7.48	6.33	8.18
	11-20	7.06	7.34	7.43	7.66
	21-30	7.75	7.76	7.23	7.03
May:	1-10	8.62	6.16	8.36	7.49
	11-20	8.86	6.66	6.53	6.72
	21-31	7.33	7.19	8.12	7.99
June:	1-10	8.48	7.21	6.88	6.93
	11-20	8.04	7.13	8.00	7.09
	21-30	8.39	7.09	8.48	6.74
July:	1-10	8.10	7.10	7.02	7.56
	11-20	7.28	7.68	7.99	
	21-31	7.97	7.29	7.69	
August:	1-10	7.63	8.55	7.95	
	11-20	7.34	8.60	7.01	
	21-31	8.08	6.26	5.92	
September:	1-10	14.00	6.74	5.93	
	11-20	8.83	5.45	5.80	
	21-30	8.62	8.03	7.40	
October:	1-10	10.04	6.13	8.43	
	11-20	7.67	7.10	8.08	
	21-31	7.27	7.24	7.78	
November:	1-10	7.96	7.15	8.55	
	11-20	7.59	6.68	6.97	
	21-30	7.89	8.09	8.46	
December:	1-10	7.75	7.60	6.84	
	11-20	8.77	7.22	8.31	
	21-31	10.68	7.31	9.54	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



R4105-3

STATISTICAL BULLETIN

Highlights

- LABOR MARKET SIGNALS ARE MIXED
- CONSUMER SPENDING POWER IS SLOWING A LITTLE, BUT SPENDING ITSELF HAS REBOUNDED; EVEN CAR SALES ARE UP
- THE PACE OF NEW ORDERS IS SLOW
- INDUSTRIAL OUTPUT GROWTH IS SLUGGISH, AND CAPACITY UTILIZATION RATES HAVE STABILIZED
- ON THE INFLATION WATCH: PRICE INCREASES ARE SLOWING, AND ARE UNLIKELY TO QUICKEN IN THE SECOND HALF OF 1989
- OUTLOOK • U.S. ECONOMIC GROWTH WILL BE MODERATE AT BEST THROUGH THE SECOND HALF OF 1989, AND MAY COME TO A HALT EARLY NEXT YEAR.

Volume 22, No. 8, August, 1989

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: In June, signs of economic cooling were widespread—in consumer spending, the labor market, home building, industrial production, even inventory. Over the next four weeks, however, lower unemployment, higher retail sales (including car sales), and gains in construction were reported. Meanwhile, consumer optimism remains undiminished.

One thing has not changed. The consensus of the **Economic Forecasts** is that **economic growth** will probably average only about 1½% in the second half of 1989, and may slow even further in the first half of next year. Why? Last month, we listed four developments to watch for. First, the rise in exports might slow, especially with the dollar up so sharply. It is much too early to expect the dollar runup to be felt, but export growth has indeed slowed. Second, any slowing in profits could put a dent in strong business investment. Third, there is always the chance of an unintended inventory buildup. Right now that seems unlikely. Finally, the speed and extent of further declines in interest rates will help shape the speed and extent of any economic cooling. As of early August, interest rates were still falling.

DOMESTIC MARKET MONITOR

Just when the labor market seemed to be cooling off, the July report has come along with signs of some unexpected strength. The average workweek in private industry jumped by 0.3 hours in July. Thus, despite a slight job decline in the cyclically sensitive durable-goods industries, total hours worked in private industry rose sharply. Moreover, the average hourly pay rate rose by 0.7 percent. That may be good news for consumer income and spending but it raises questions about just how quiet the inflation front will remain for the rest of this year.

Overall, economy watchers still expect slower growth in the labor market. The Conference Board's **Help-wanted Index**, a measure of labor demand, fell in June, and early returns to the July survey indicate that it remained below the level of two months earlier. Finally, the consensus of the **Economic Forecasts** is still for a rise in unemployment to just under 6% by this time next year, suggesting the cooling off of the labor market will be quite mild and probably short-lived.

INCOME: If the longer workweek in July and the runup in average hourly pay are not statistical flukes, consumer income may rebound. Right now, income growth is somewhat sluggish. Wages in commodity-producing industry were no higher in May than three months earlier. Wages in the "other industry" category were 2% higher. Actually, only the former represents slowing; the second figure shows essentially no change in the trend. Assuming that the July numbers on hourly pay and workweek were aberrations, the main story is one of slower income growth, to be followed, no doubt, by slower growth in spending.

Nonauto Consumer credit demand was quite strong through June. Moreover, a rebound of sorts in car sales in July probably quickened the pace in auto loans. Clearly, credit demand was not weakening in June, though it is expected to do so by late summer.

Less robust job growth and slower pay raises until July have barely affected consumer attitudes. The Conference Board's **Consumer Confidence Index** was at the same level in July as in February. The **Expectations** component, which measures appraisal of job and pay prospects over the next six months, however, was 0.1% lower. Consumers seem untroubled by warnings from professional market watchers that economic activity will soon slow down. Moreover, while the consensus of the experts is that interest rates will continue to fall, more than half of the survey respondents still expect rates to be higher 12 months from now.

SPENDING: Consumer buying has several times shown signs of slowing down, only to gather a second or third wind. It is happening again. Retail sales of durables, except cars, were 1.8% higher in June than three months earlier, mainly reflecting sharp gains in furniture and appliances. Those are exactly the big ticket items—a fair share of which are financed purchases —that had been expected to show the most softening. However, these purchases do not necessarily benefit domestic producers. With the dollar again strengthening this year, imports may offer the kind of bargains for which consumers are willing to go further into debt.

CONSTRUCTION: Home buying has yet to rebound, but it easily could. New single-family home sales were 0.6% lower in June than three months earlier. But with consumer confidence steadfastly optimistic, and mortgage rates finally coming down, home sales are unlikely to continue falling and could turn around a little. Builders are stepping up activity in anticipation of such a change. That is one reason why total hours worked in construction rose by 0.7% in July.

PRODUCTION: As recently as June, investment and export growth were the positives while softer demand for consumer durables and government spending on hardware were the negatives. But then export growth slowed while consumer spending on furniture and appliances picked up. Still, output of consumer durable goods was 0.2% lower in June than three months earlier. Output of business equipment was 1% higher.

Ken Goldstein, Editor

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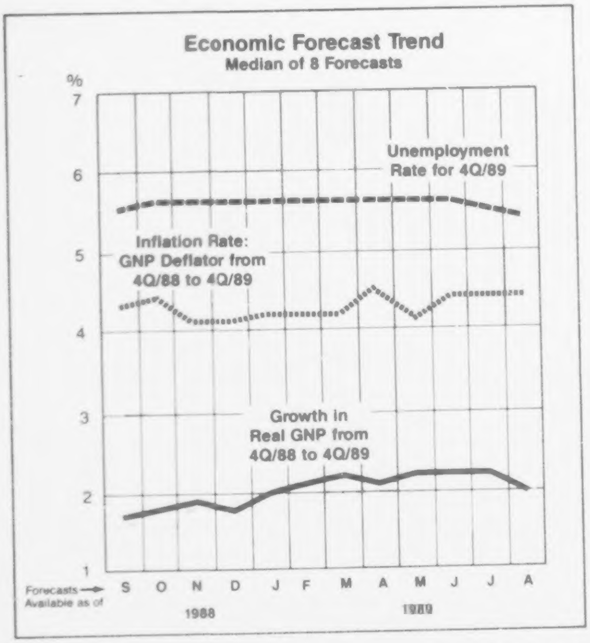


Nevertheless, industrial conditions are unlikely to gain momentum. Indeed, industry executives do not expect much near term change. The Conference Board's **Measure of Business Confidence** was unchanged in the second quarter of 1989. And expectations for their own industries and for the economy were slightly lower in the second quarter than in the fourth quarter of 1988. In fact, business confidence has been eroding in the past four quarterly surveys.

Another reason why industrial conditions may not strengthen is that new orders are relatively slow. Orders for durable goods, except defense-related materiel, were only 0.4% higher in June than three months earlier. Nevertheless, the ratio of unfilled orders to shipments was 3.3% higher. Producers have apparently slowed the pace of filling orders, stretching out the work flow. Keep in mind that employment in durable-goods manufacturing has been flat. These data suggest that producers do not expect a sharp rise in work orders anytime soon.

INVENTORY: Although producers have scaled back the work flow, inventory continued to rise. Total inventory, except cars at the retail level, was 1.6% higher in May than three months earlier. But stronger consumer buying of furniture and appliances in June, with no rise in the production of consumer durables, suggests the rise in nonauto inventory probably stopped. In any event, unintended inventory accumulation is not a feature of the economic landscape this summer.

INFLATION: With inflation concerns abating, interest rates have fallen. New data continue to point toward subdued inflation. Prices of raw industrial materials fell in July for the third straight month. Farm prices fell for the second month in a row. Wholesale prices for crude materials, except food and energy, fell for the fourth straight month. The consensus of the **Economic Forecasts** is that the CPI is rising at about a 4% annual rate in the third quarter of 1989 and will stay between 4% and 4½% through the end of 1990, assuming economic growth slows in the second half of this year.

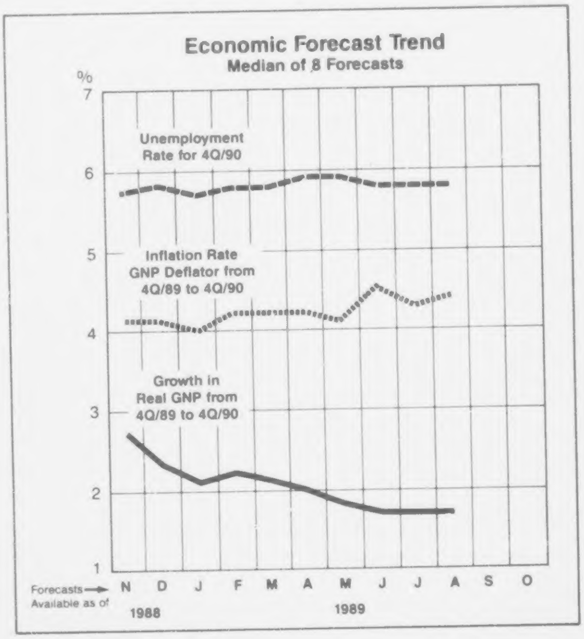
INTERNATIONAL MONITOR

Slow import growth may prove temporary. Total imports of manufactured goods were only 0.3% higher in May than two months earlier. But imports of consumer goods were 4.4% higher—and consumer buying quickened in June. Moreover, the recent strengthening of the dollar will enhance the price competitiveness of imports, and that could well increase market penetration and continue to impede efforts to close the trade imbalance.

In contrast, exports of manufactured goods were 4.7% lower in May than two months earlier—though the level is still higher at mid-year than it was in late 1988. The strong economic growth of some of our major trading partners (see the **Selected International Comparisons** chart) has been one reason why exports rose sharply earlier this year. Nor has economic growth abroad suddenly cooled. That suggests that total export growth could rebound. But given the strength in imports, the trade imbalance is not likely to narrow much.

Slower domestic economic growth and declining interest rates helped stem the rapid rise in the dollar, despite a reduced threat of inflation. In fact, the combination of somewhat lower interest rates and little upward movement in the dollar's exchange value translated to little change in the **Domestic-International Discomfort Index (DIDI)** in June and July, after the rapid improvement in May.

Ken Goldstein
August 11, 1989

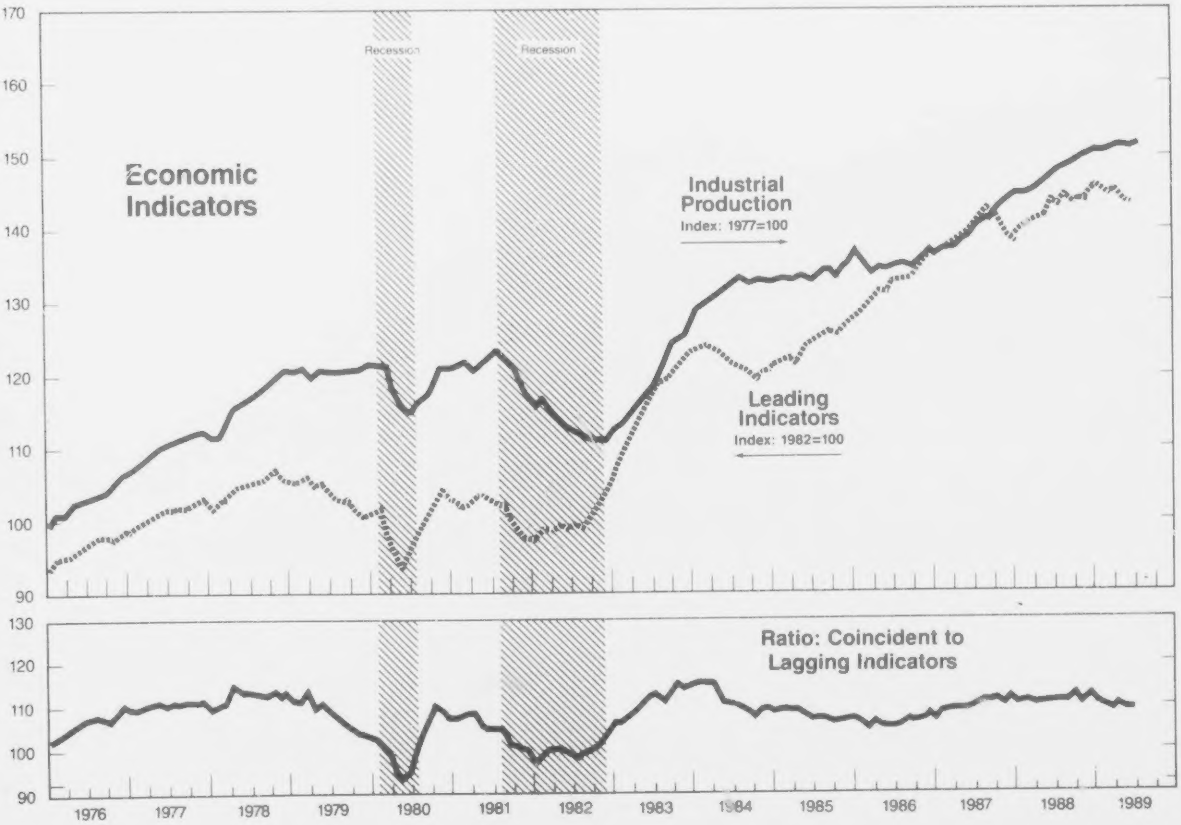


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	June			X	– 0.8%	– 0.3%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	June			X	– 2.1%	2.4%
New orders, nondefense capital goods (deflated)	June			X	– 2.8%	2.4%
New business formation	May		X		0.1%	2.3%
*Housing permits	June	X			6.3%	–11.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	June		X		0.8%	– 1.0%
*Change in unfilled orders, mfg.	June			X	–16.5%	34.0%
Purchasing manager's buying policy	July			X	– 5.1%	9.1%
*Vendor performance, reported slower deliveries	June			X	– 7.2%	–27.6%
Industrial raw materials prices	June		X		– 1.6%	6.4%
*Change in sensitive material prices	June			X	– 86.3%	– 78.5%
Sensitive Financial Flows						
*Money balance (M2 deflated)	June			X	– 1.0%	– 2.5%
Change in business loans	May	X			31.2%	652.6%
*Consumer expectations	July	X			2.8%	3.9%
Change in consumer installment debt	May			X	–33.0%	– 6.3%
Profitability						
Total corporate profits, after tax (deflated)	1st Q			X	– 2.3%	12.0%
*Common stock prices	June	X			10.6%	19.6%
Marginal Employment Adjustments						
*Average workweek, mfg.	July		X		– 0.3hr	– 0.1hr
*Initial unemployment claims (inverted)	June			X	– 3.1%	–11.6%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

	1988	1989			
DIFFUSION INDEXES	June	Mar.	Apr.	May	June(e)
Principal Diffusion Index	60.3r	55.0r	56.2r	54.4r	54.6
Auxillary Diffusion Index	58.9r	48.9r	54.0r	44.2r	50.6
Industrial Group	57.2	52.5	56.3	54.2	52.6
Nonindustrial Group	63.4r	57.4r	56.0r	54.6r	56.5
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	56.8	63.2	68.8	64.1r	69.7
Labor	56.2	47.1	48.6	47.3r	41.2
Miscellaneous	60.3	50.0	57.1	56.4	55.8
Nonindustrial Subgroups					
Prices	59.6	60.3	59.6	59.0	58.3
Consumer	66.2r	56.4r	57.7r	58.5r	54.3
Building	59.9	56.4	47.4	46.8	53.8
Miscellaneous	65.4	57.3r	57.7r	53.0r	59.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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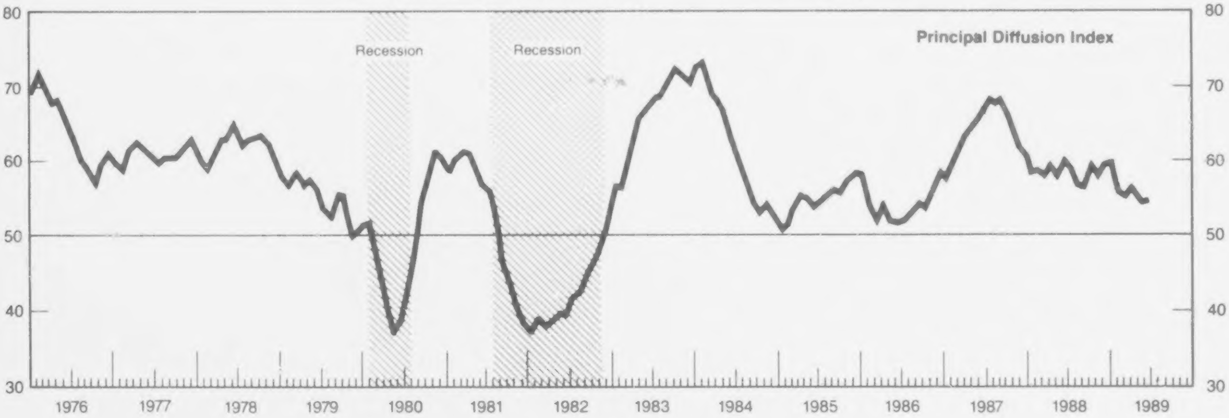
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1986		*1987*				*1988*				*1989*	
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)											
Measure of Business Confidence	50	51	55	55	59	47	51	58	56	51	48	48
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	44	50	56	55	62	50	49	64	65	54	52	48
2. Expectations for Economy, Six Months Ahead	52	51	54	53	56	43	50	54	51	48	43	47
3. Expectations for Own Industry, Six Months Ahead	54	53	56	56	58	48	54	55	53	51	48	50

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Capital Markets		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*July, 1989*		*July, 1989*		*July, 1989*		*July, 1989*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1989**	**II**	**$5194.9**	**6.6%**	**$5194.9**	**6.6%**	**$5194.9**	**6.6%**	**$5194.9**	**6.6%**
Forecast	1989	III	5254.6	4.7	5255.5	4.7	5271.8	6.1	5291.8	7.7
		IV	5319.4	5.0	5310.3	4.2	5342.3	5.5	5365.0	5.6
	1990	I	5389.5	5.4	5392.5	6.3	5406.4	4.9	5422.7	4.4
		II	5462.0	5.5	5484.3	7.0	5470.8	4.9	5468.6	3.4
		III	5541.0	5.9	5584.6	7.5	5547.3	5.7	5529.5	4.5
		IV	5633.3	6.8	5684.8	7.4	5624.4	5.7	5626.7	7.2
	1991	I	5753.0	8.8			5723.8	7.3		
		II	5871.4	8.5			5829.6	7.6		
		III	5985.5	8.0			5941.8	7.9		
	1989	Annual	5220.5	7.0	5218.5	6.9	5230.5	7.2	5241.2	7.4
	1990	Annual	5506.5	5.5	5536.6	6.1	5512.2	5.4	5511.9	5.2
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1989**	**II**	**$4123.9**	**1.7%**	**$4123.9**	**1.7%**	**$4123.9**	**1.7%**	**$4123.9**	**1.7%**
Forecast	1989	III	4138.1	1.4	4120.9	–0.3	4138.0	1.4%	4150.5	2.6
		IV	4151.1	2.3	4114.9	–0.6	4151.0	1.3	4162.9	1.2
	1990	I	4157.9	0.7	4130.7	1.5	4162.0	1.1	4164.9	0.2
		II	4174.6	1.6	4156.0	2.5	4173.0	1.1	4158.6	–0.6
		III	4195.5	2.0	4184.5	2.8	4193.0	1.9	4163.8	0.5
		IV	4223.3	2.7	4210.8	2.5	4213.0	1.9	4192.6	2.8
	1991	I	4263.5	3.9			4243.0	2.9		
		II	4303.5	3.8			4277.0	3.2		
		III	4337.1	3.2			4315.0	3.6		
	1989	Annual	4130.0	2.6	4116.6	2.3	4129.9	2.6	4136.0	2.8
	1990	Annual	4187.8	1.4	4170.5	1.3	4185.3	1.3	4170.0	0.8
Gross National Product deflator Index, 1982 = 100										
Actual	**1989**	**II**	**126.0**	**4.8%**	**126.0**	**4.8%**	**126.0**	**4.8**	**126.0**	**4.8%**
Forecast	1989	III	127.0	3.2	127.5	5.1	127.4	4.6%	127.5	4.9
		IV	128.1	3.7	129.1	4.8	128.7	4.1	128.9	4.4
	1990	I	129.6	4.7	130.5	4.7	129.9	3.8	130.2	4.2
		II	130.8	3.8	132.0	4.4	131.1	3.7	131.5	4.1
		III	132.1	3.8	133.5	4.6	132.3	3.7	132.8	4.0
		IV	133.4	4.0	135.0	4.7	133.5	3.7	134.2	4.3
	1991	I	134.9	4.7			134.9	4.3		
		II	136.4	4.5			136.3	4.2		
		III	138.0	4.7			137.7	4.2		
	1989	Annual	126.4	4.2	126.8	4.5	126.6	4.4	126.7	4.5
	1990	Annual	131.5	4.0	132.7	4.7	131.7	4.0	132.2	4.3
Unemployment Rate										
Actual	**1989**	**II**		**5.3%**		**5.3%**		**5.3%**		**5.3%**
Forecast	1989	III		5.3		5.3		5.3		5.2
		IV		5.4		5.7		5.4		5.3
	1990	I		5.5		6.0		5.6		5.2
		II		5.6		6.0		5.8		5.5
		III		5.7		5.9		6.0		5.7
		IV		5.8		5.8		6.0		5.9
	1991	I		[illegible]				5.8		
		II		[illegible]				5.7		
		III		5.5				5.5		
	1989	Annual		5.3		5.4		5.3		5.2
	1990	Annual		5.7		5.9		5.9		5.6

Notes: Percentage changes represent compound annual rates of change from perceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary second quarter data.

ECONOMIC FORECASTS (continued)

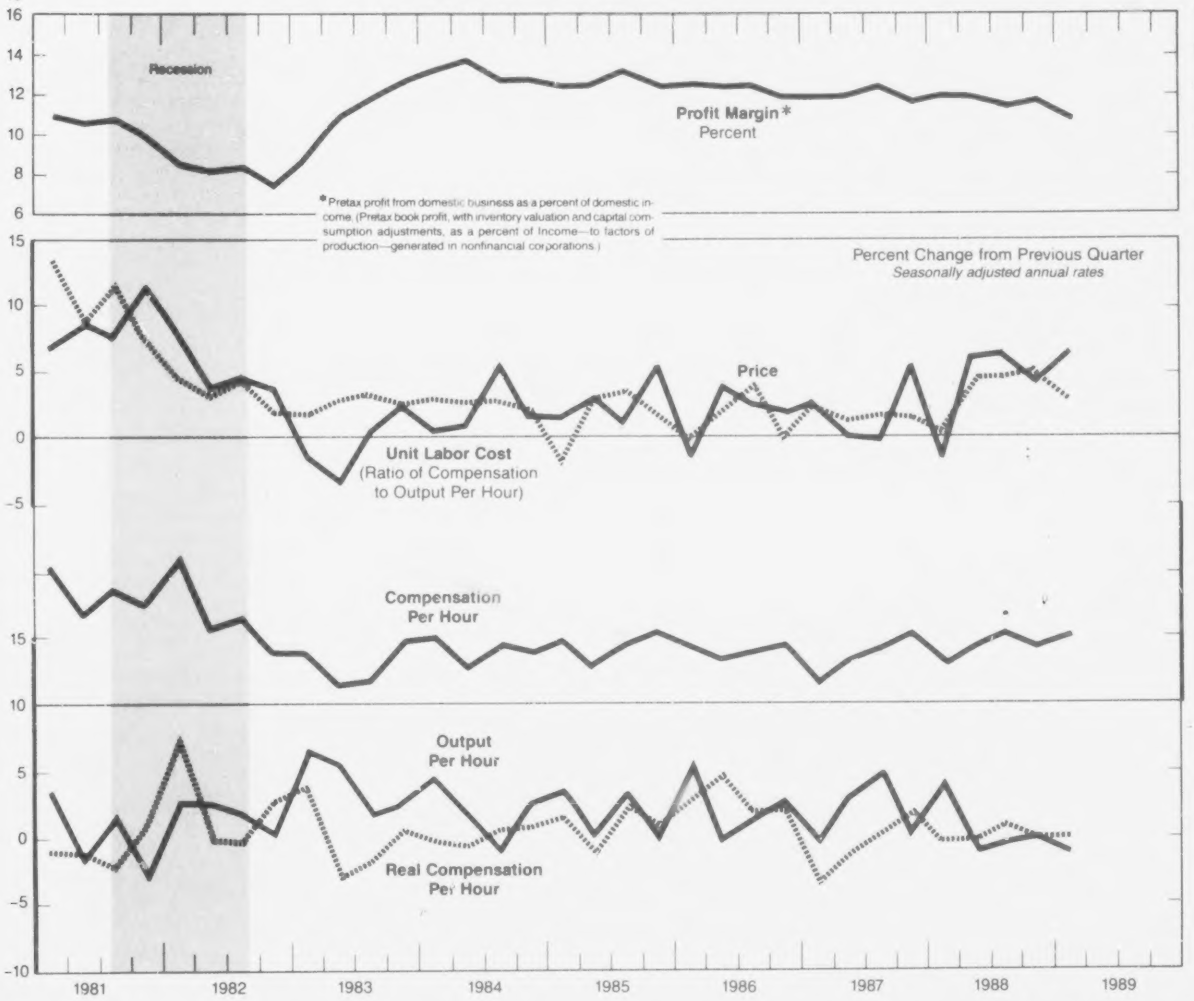
The Conference Board[1]		Laurence H. Meyer[1] Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
July, 1989		*July, 1989*		*July, 1989*		*July, 1989*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$5194.9	**6.6%**	**$5194.9**	**6.6%**	**$5194.9**	**6.6%**	**$5194.9**	**6.6%**	**II**	**1989**	**Actual**
5279.0	6.6	5259.1	5.0	5254.6	4.7	5268.2	5.8	III	1989	Forecast
5320.0	3.1	5334.9	5.9	5319.4	5.0	5343.7	5.9	IV		
5358.0	2.9	5421.0	6.6	5389.5	5.4	5432.0	6.8	I	1990	
5436.0	6.0	5494.9	5.6	5462.0	5.5	5533.6	7.7	II		
5547.0	8.4	5569.7	5.6	5541.0	5.9	5634.7	7.5	III		
5654.0	7.9	5646.5	5.6	5633.3	6.8	5741.2	7.8	IV		
		5745.4	7.2	5853.1	8.8	5753.1	8.0	I	1991	
		5837.6	6.6	5871.4	8.5	5965.8	7.9	II		
		5929.8	6.5	5985.5	8.0	6071.0	7.2	III		
5226.8	7.1	5225.5	7.1	5220.0	7.2	5230.0	7.2	Annual	1989	
5498.8	5.2	5533.0	5.9	5506.5	5.5	5585.4	6.8	Annual	1990	
								Gross National Product Billions of Constant (1982) Dollars		
$4123.9	**1.7%**	**$4123.9**	**1.7%**	**$4123.9**	**1.7%**	**$4123.9**	**1.7%**	**II**	**1989**	**Actual**
4146.9	2.2	4132.1	0.8	4138.1	1.4	4137.8	1.4	III	1989	Forecast
4136.9	−1.0	4149.8	1.7	4151.1	1.3	4151.1	1.3	IV		
4127.0	−0.9	4168.2	1.8	4157.9	0.7	4170.7	1.9	I	1990	
4146.5	1.8	4185.3	1.7	4174.6	1.6	4206.1	3.4	II		
4183.3	3.6	4203.4	1.7	4195.5	2.0	4246.2	3.9	III		
4216.3	3.2	4223.1	1.9	4223.3	2.7	4286.9	3.9	IV		
		4252.5	2.8	4263.5	3.9	4316.1	2.8	I	1991	
		4281.6	2.8	4303.5	3.8	4350.7	3.2	II		
		4310.3	2.7	4337.1	3.2	4381.6	2.9	III		
4128.6	2.6	4128.2	2.6	4130.0	2.6	4129.9	2.6	Annual	1989	
4168.5	1.0	4195.0	1.6	4187.8	1.4	4227.5	2.4	Annual	1990	
								Gross National Product deflator Index, 1982 = 100		
126.0	4.8%	126.0	4.8%	126.0	4.8%	126.0	4.8%	II	1989	Actual
128.0	6.6	127.5	5.0	127.0	3.2	127.3	4.4	III	1989	Forecast
128.3	0.9	129.1	5.1	128.1	3.7	128.7	4.5	IV		
129.5	3.9	130.6	4.8	129.6	4.7	130.2	4.8	I	1990	
131.7	6.9	131.8	3.7	130.8	3.8	131.6	4.1	II		
133.8	6.5	133.1	3.8	132.1	3.8	132.7	3.5	III		
135.2	4.2	134.3	3.8	133.4	4.0	133.9	3.7	IV		
		136.0	5.2	134.9	4.7	135.6	5.1	I	1991	
		137.3	3.7	136.4	4.5	137.1	4.5	II		
		138.5	3.6	138.0	4.7	138.6	4.2	III		
126.7	4.5	126.8	4.5	126.4	4.2	126.6	4.4	Annual	1989	
132.5	4.6	132.5	4.5	131.5	4.0	132.1	4.3	Annual	1990	
								Unemployment Rate		
	5.3%		**5.3%**		**5.3%**		**5.3%**	**II**	**1989**	**Actual**
	5.3		5.4		5.3		5.4	III	1989	Forecast
	5.5		5.5		5.4		5.6	IV		
	5.8		5.6		5.5		5.8	I	1990	
	5.9		5.7		5.6		5.8	II		
	5.8		5.7		5.7		5.7	III		
	5.5		5.6		5.8		5.5	IV		
			5.5		5.7		5.4	I	1990	
			5.5		5.6		5.3	II		
			5.3		5.5		5.2	III		
	5.3		5.3		5.3		5.4	Annual	1989	
	5.8		5.7		5.7		5.7	Annual	1990	

CBDB

ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

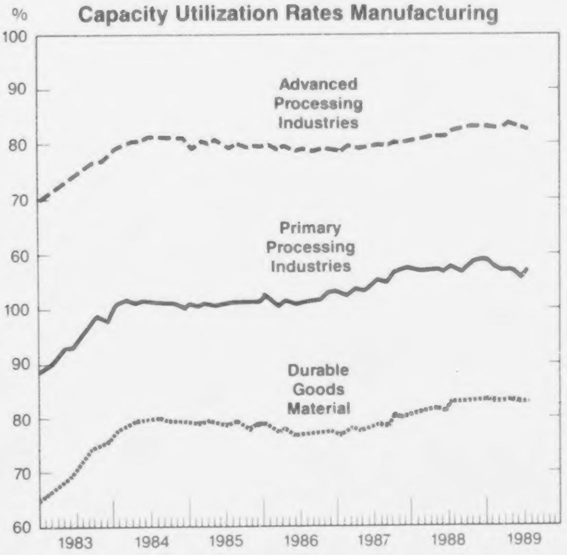
Key Determinants of Profit Margin

Nonfinancial Corporations

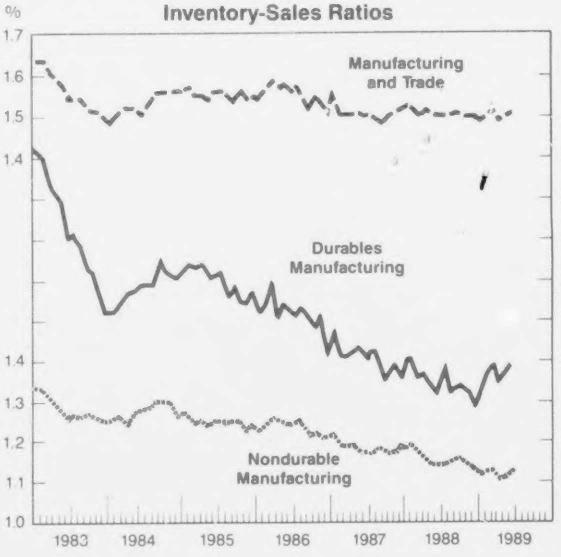


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



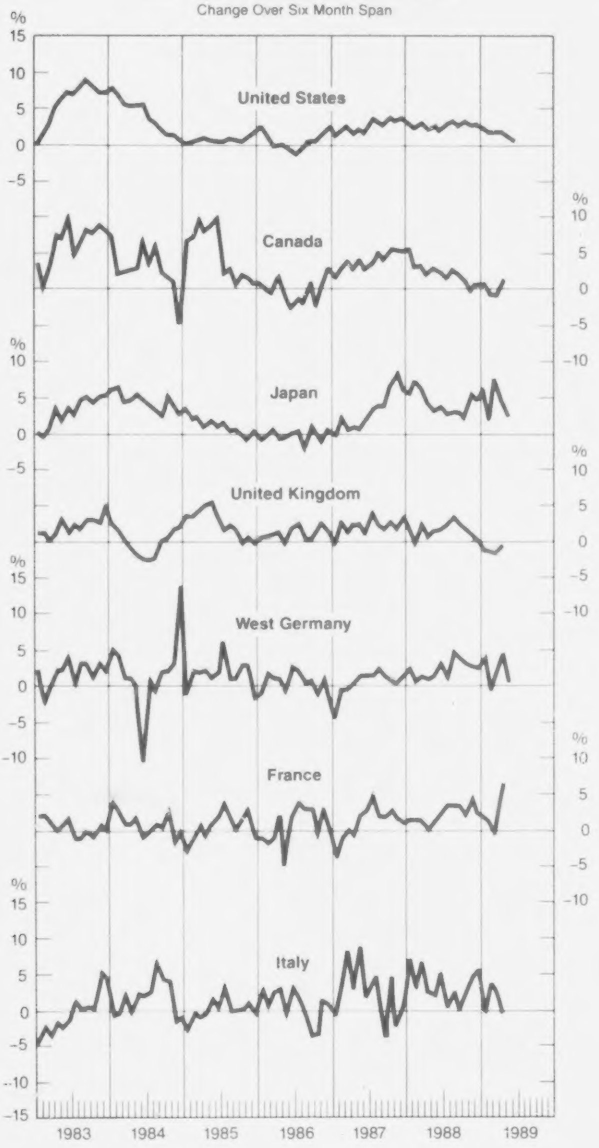
Inventory-Sales Ratios



Selected International Comparisons

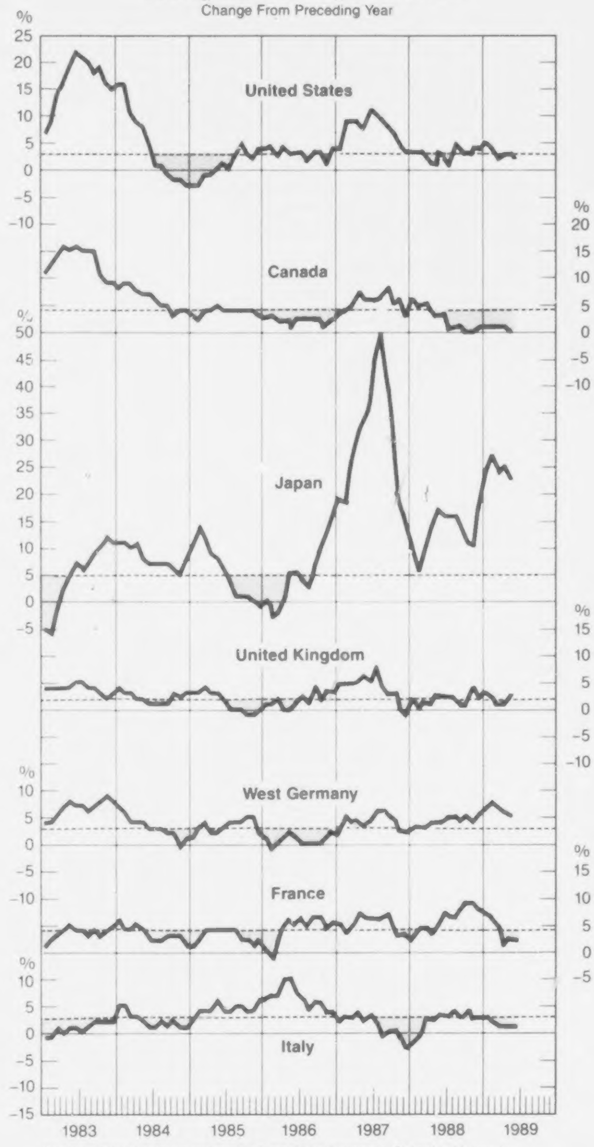
Industrial Production Indexes

Change Over Six Month Span

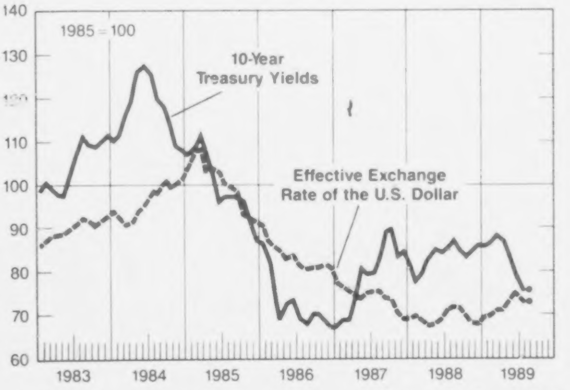


Leading Business Cycle Indexes

Change From Preceding Year

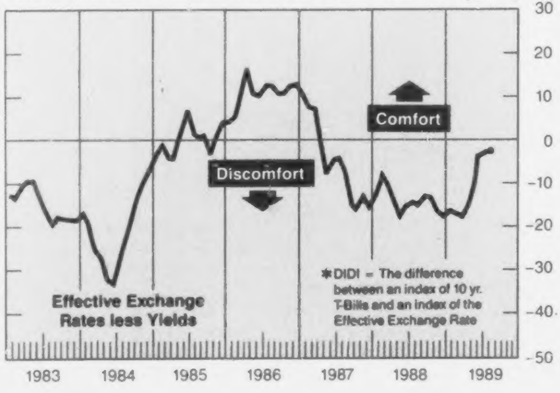


Source: Center for International Business Cycle Research, Columbia University



Sources: Morgan Guaranty Trust Company; Department of Treasury; *The Sommers Letter*

The Domestic-International Discomfort Index (DIDI)*



*DIDI = The difference between an index of 10 yr. T-Bills and an index of the Effective Exchange Rate

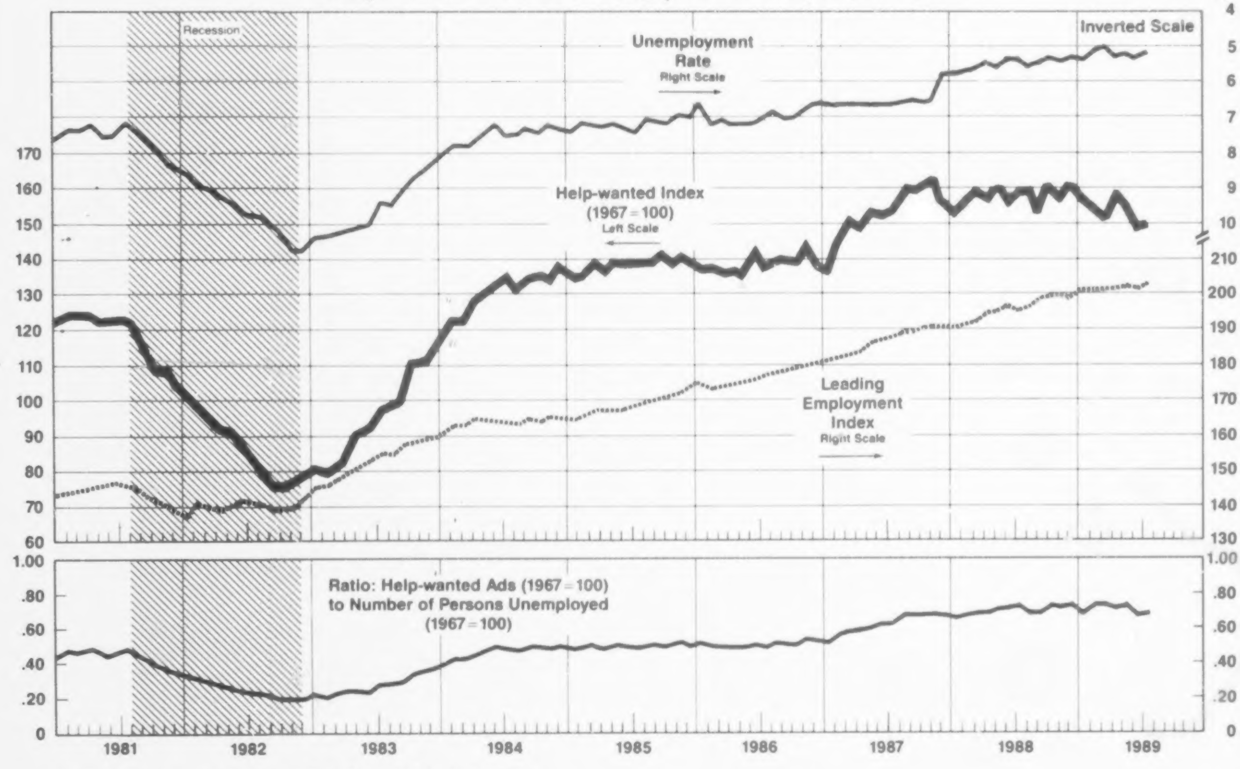
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

	1989	1989		1988
Locality	**June**	**May**	**Apr.**	**June**
National Index	148	154	159	156
New England	108	113r	122	152
Boston	104	110	117	141
Hartford	108	109r	119	175
Providence	119	128	143	168
Middle Atlantic	76	80	83	87r
Albany	157	180	190	197
Allentown	353	393	354	408
New York	52	51	54	60
Philadelphia	63	67	73	71r
Pittsburgh	96	100	111	97
Rochester	94	101	104	107
Syracuse	154	160	165	156
East North Central	101	103	110	110
Chicago	104	105	112	117
Cincinnati	145	160	176	161
Cleveland	75	75	82	76
Columbus	160	N.A.	N.A.	188
Dayton	85	90	99	90
Detroit	54	55	61	58
Gary	225	226	235	224
Indianapolis	130	135	138	127
Milwaukee	N.A.	93	95	99
Toledo	124	136	148	146
West North Central	97	105	111	100
Kansas City	127	153	152	133
Minneapolis	86	84	96	93
Omaha	173	192	199	164r
St. Louis	69	72	78	71
South Atlantic	185	199	209	208
Atlanta	219	226	248	271
Baltimore	N.A.	257	236	236
Charlotte	188	195	215	194
Jacksonville	217	219	227	233
Miami	148	N.A.	N.A.	170
Richmond	152	141	164	151
Washington, D.C.	N.A.	163	179	180
East South Central	178	186	183	185
Birmingham	186	201	202	187
Knoxville	314	301	344	305
Louisville	N.A.	N.A.	N.A.	102
Memphis	142	147	155	141
Nashville	226	244	202	261
West South Central	193	186	189	190r
Dallas	154	147	143	171
Houston	299	279	280	279r
New Orleans	130	128	140	124
Oklahoma City	118	125	128	125
San Antonio	140	150	153	150
Tulsa	170	168	180	144
Mountain	306	335r	337	299
Denver	202	206r	207	197
Phoenix	355	432	441	377
Salt Lake City	439	450	441	386
Pacific	259	270	268	247r
Los Angeles	166	173	174	169
Sacramento	548	532	530	494
San Bernardino	330	351	337	270r
San Diego	654	669	668	597
San Francisco	245	269	263	242
Seattle	283	288	286	254
Percentage of papers with rising volume	18	24	86	24
Unemployment rate	5.3	5.2	5.3	5.4

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100

(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7	116.9	112.9	119.4
1989	115.8	120.7	117.4	116.6	116.7	117.2r	120.7p					

Expectations Index

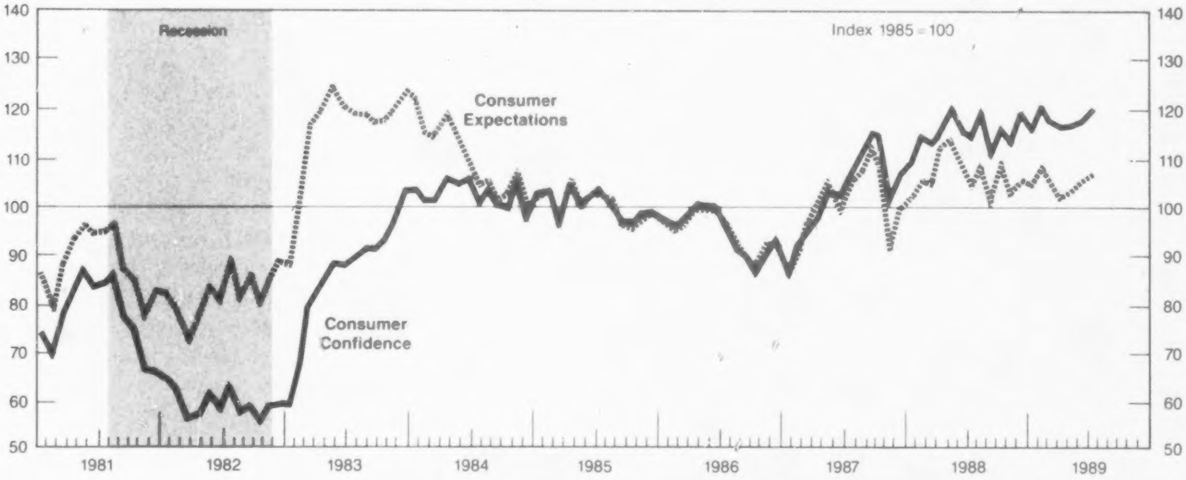
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1	109.3	102.0	105.6
1989	104.1	108.3	104.9	101.8	103.0	105.1r	106.7p					

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS

Billions of Dollars, Seasonally Adjusted

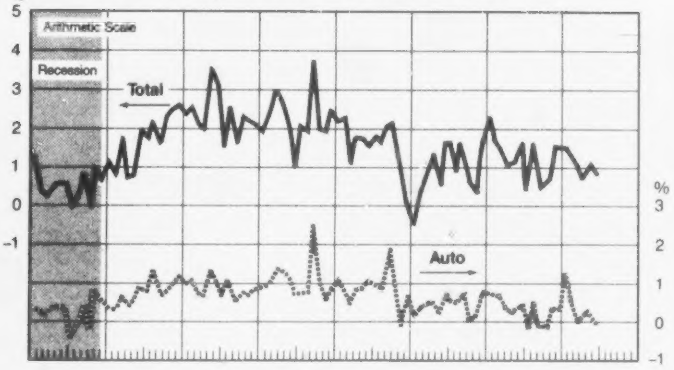
	1987			1988				Percent Change From Previous Year Actual	Estimate
	III-87	IV-87	I-88	II-88	III-88	IV-88(r)	I-89(p)	1988	1989
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	29.561	35.909	30.846	40.686	40.384	45.279	50.009	39%	16%
Capital expenditures	27.381	29.820	29.412	31.718	36.037	35.281	35.331	33	18
Change in appropriations backlog*	-0.080	3.510	0.650	8.760	-4.110	8.630	14.340		
Durable Goods									
New appropriations	17.208	20.245	14.310	20.261	20.791	23.547	18.129	27	14
Capital expenditures	13.970	16.037	15.780	16.910	19.526	16.657	17.032	31	28
Change in appropriations backlog*	2.930	3.810	-1.600	3.670	-1.080	6.240	1.340		
Nondurable Goods									
New appropriations	12.353	15.664	16.536	20.425	19.593	21.732	31.880	52	17
Capital expenditures	13.411	13.783	13.632	14.808	16.511	18.624	18.299	35	12
Change in appropriations backlog*	-3.010	-0.300	2.250	5.090	-3.030	2.390	13.010		

Available on request: Historical data from 1953, and quarterly reports containing text and data for 17 separate manufacturing industries.

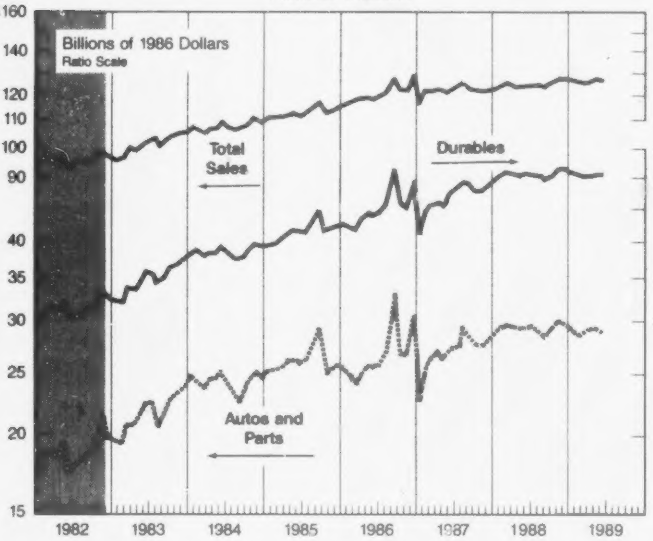
r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



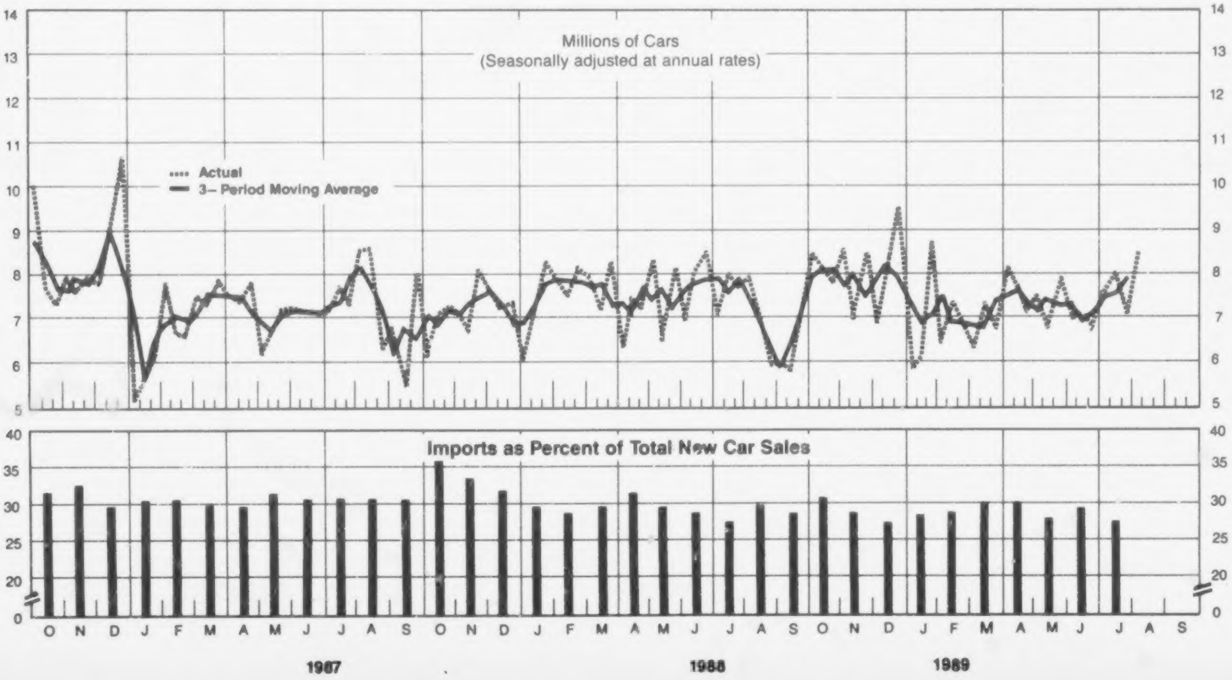
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1986	1987	1988	1989
January:	1-10	8.37	5.15	6.06	5.86
	11-20	8.74	5.52	7.29	6.06
	21-31	8.26	6.13	8.25	8.64
February:	1-10	7.88	7.78	7.83	6.40
	11-20	8.95	6.64	7.44	7.37
	21-28(29)	6.15	6.58	8.17	6.86
March:	1-10	7.69	7.53	7.81	6.32
	11-20	7.57	7.27	7.13	7.28
	21-31	6.52	7.81	8.28	6.74
April:	1-10	8.79	7.48	6.33	8.18
	11-20	7.06	7.34	7.43	7.66
	21-30	7.75	7.76	7.23	7.03
May:	1-10	8.62	6.16	8.36	7.49
	11-20	8.86	6.66	6.53	6.72
	21-31	7.33	7.19	8.12	7.99
June:	1-10	8.48	7.21	6.88	6.93
	11-20	8.04	7.13	8.00	7.09
	21-30	8.39	7.99	8.48	6.74
July:	1-10	8.10	7.10	7.02	7.56
	11-20	7.28	7.68	7.99	8.03
	21-31	7.97	7.29	7.69	7.10
August:	1-10	7.63	8.55	7.95	8.46
	11-20	7.34	8.60	7.01	
	21-31	8.08	6.26	5.92	
September:	1-10	14.00	6.74	5.93	
	11-20	8.83	5.45	5.80	
	21-30	8.62	8.03	7.40	
October:	1-10	10.04	6.13	8.43	
	11-20	7.67	7.10	8.08	
	21-31	7.27	7.24	7.78	
November:	1-10	7.96	7.15	8.55	
	11-20	7.59	6.68	6.97	
	21-30	7.89	8.09	8.46	
December:	1-10	7.75	7.60	6.84	
	11-20	8.77	7.22	8.31	
	21-31	10.68	7.31	9.54	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



R4105-3

STATISTICAL BULLETIN

Highlights

- LABOR MARKET SIGNALS A REBOUND.
- CONSUMER SPENDING AND SPENDING POWER MAKE A COME BACK.
- CAR AND HOME SALES RISE.
- NEW ORDERS ARE STILL LETHARGIC.
- INDUSTRIAL OUTPUT GROWTH IS SLUGGISH, AND CAPACITY UTILIZATION RATES HAVE DECLINED.
- ON THE INFLATION WATCH: FINANCIAL MARKET JITTERS ABOUT A NEW OUTBREAK OF INFLATION ARE MINIMAL RIGHT NOW
- OUTLOOK • NO RECESSION. U.S. ECONOMIC GROWTH WILL REMAIN MODERATE IN THE SECOND HALF OF 1989, BUT GROWTH WILL SLOW IN THE FIRST HALF OF 1990.

Volume 22, No. 9, September, 1989

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: Forecasters had more to think about in late August than vacation schedules. Yes the pace of activity is slowing, as the revised forecasts show, but scenarios of soft landings and recession were scrapped. The consensus of the **Economic Forecasts** now has the U.S. economy zipping along at a seasonally adjusted, 1.7% growth rate, annualized, in the third quarter, slowing in the fourth quarter, and cooling off to about 1 1/2% to 2% in the first half of 1990. Why, despite forecasters' apprehensions, is the economy still expanding.

Previous forecasts of sluggish growth assumed that the consumer market would finally weaken, especially with interest rates rising. Revised data now show that consumer spending was stronger than earlier estimated, but this only partially explains continued expansion. It is evident that consumer demand for durable goods (furniture, appliances, cars, and homes), after six and a half years of expansion, remains fairly strong. Add in the strength of business investment and steady export demand and the economy continues on its expansion path into 1990.

DOMESTIC MARKET MONITOR

Overall, the expectation remains one of gradual cooling in the labor market. Employment in durable manufacturing fell slightly in August, but both nondurable manufacturing and construction were hiring. Service-job growth remains strong. The total hours worked data reflect these patterns. The average hourly pay rate, after a sharp 0.7% rise in July, was unchanged in August. More hourly pay and more hours worked provide the income to keep consumer spending on the upswing, reinforcing optimistic consumer sentiment as well.

The Conference Board's **Help-wanted Index**, a measure of labor demand, fell in June and July, and early returns to the August survey indicate that it continued to soften. Upward revisions in the Economic Forecasts now suggest that the unemployment rate will rise very slowly from its current 5.2% level to about 5 1/2% by the second quarter of 1990. While it may stay at that level for a considerable time, the good news is that it is not expected to go any higher.

INCOME: Growth prospects may seem brighter now because consumer income, which had slowed from March through May, has picked up again. Wages in commodity-producing industry were 1% higher in July than three months earlier. Wages in the "other industry" category were 2% higher. Gains in employment and hours worked in August suggest that wage growth remains fairly strong. Such growth will probably continue, unless unexpected negative developments spring up.

Nonwage income growth may remain considerably slower than wage income over the next few months. Rental income has been declining, albeit slowly, all year. Shopkeepers' income has been declining since spring. If consumer spending picks up a little, shopkeepers' earnings could recover. Recent gains in interest income are attributable to hikes in interest rates, and these rates may not change much over the next few months.

Consumer attitudes remain positive overall, with some decline in confidence. The Conference Board's **Consumer Confidence Index** stood at 114.7 (1985 = 100) in August, compared to 116.7 in May. The **Expectations Component**, which measures appraisal of job and pay prospects over the next six months, was at 103.5 in August, compared to 103 in May. Still, these numbers remain quite high relative to readings taken at stages of earlier expansion periods. In all, consumer willingness to spend, as evidenced by these numbers, together with the rise in spending power, could fuel continued growth in consumer spending.

SPENDING: There are no signs that consumer spending is running out of steam. Retail sales of durables, except cars, were 1.8% higher in July than three months earlier. Sales of furniture and appliances were 1.4% higher. There has been much speculation that consumers, fairly well stocked after six and a half years of buying durable goods, would begin to slow the pace of such buying. The data show, however, that a fairly strong pace prevailed this summer. Nevertheless, some gradual softening in consumer demand is still a key assumption in forecasts of slower GNP over the next four quarters.

Car buying picked up in July and August, as producers offered promotional incentives. New domestic **Automobile Sales** reached a seasonally adjusted 7.6 million annual rate in each of these months, up from 6.9 million in June and 7.4 million in May. Still, car makers seem concerned about a softening in car buying once the promotions end. Indeed, employment in car production fell in August.

CONSTRUCTION: Home buying also revived in July. In fact, sales of new single-family homes were higher in July 1989 than any time in the last 24 months. Consumer confidence has been steadfastly optimistic and mortgage rates were lower. Construction employment and hours worked rose in August. These factors suggest that home sales are unlikely to resume a downward trend soon.

PRODUCTION: The rise in output slowed when consumer spending on durable goods softened a few months back. Total industrial production was no higher in July than three months earlier. Specifically, output of consumer dura-

Ken Goldstein, Editor

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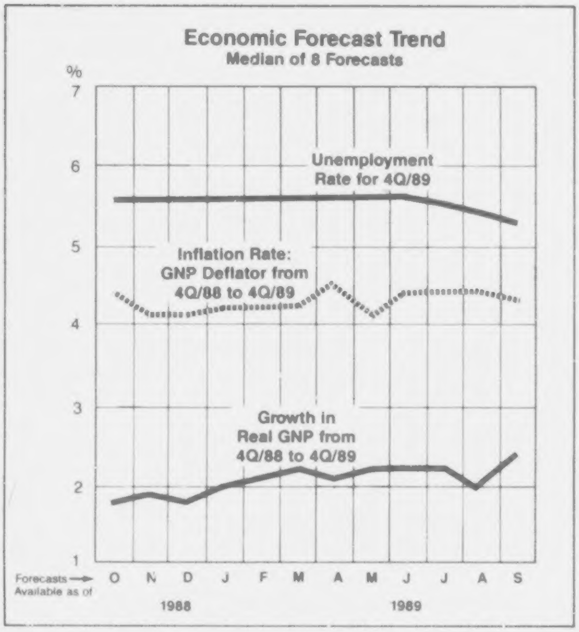


ble goods was 3.8% lower while business equipment was 0.9% higher. Now that consumer spending on durable goods is picking up, some growth in durable-goods production is likely to resume, setting overall industrial output back on an expansion path.

The combination of no growth in industrial output and continued strong business investment in plant and equipment has helped lower the capacity utilization rate. While total industrial output was no higher in July than three months earlier, the capacity utilization rate dropped to 83.6% in July, from 84.2% in April. This may explain why renewed optimism about economic growth is not accompanied by renewed inflation concerns. The strain on capacity is not now hot enough to set off inflationary fires.

INVENTORY: Another concern for producers is the rise in inventory. Total inventory, except cars at the retail level, was 1.7% higher in June than three months earlier, even though there was no increase in production over the same time period. Industrial sales, however, were rising by 1.8%, so the Inventory-to-Sales ratio did not budge. If the selling pace were to slow suddenly, with inventory rising even when production was flat, the chance of a sudden unintended inventory buildup would heighten. No sudden drop off in sales is anticipated but producers are keeping a wary eye open for the unexpected.

INFLATION: Remarkably, forecasters raised their economic growth estimates, but not their inflation estimates. International price-competitiveness concerns, and some decrease in capacity utilization are among the supporting factors for that outlook. Furthermore, raw industrial material prices were either flat or declined in each of the last five months. That is true also for farm prices and wholesale prices for crude materials, except food and energy. The consensus of the **Economic Forecasts** is that the CPI is rising at about a 4% annual rate in the third quarter of 1989, and will stay in a range of 4% to 4 1/2% through the end of next year.

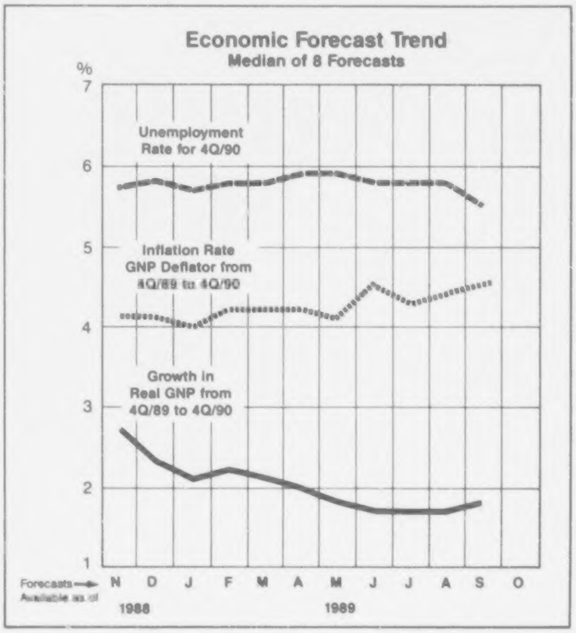
INTERNATIONAL MONITOR

The bad news is that recent slowing of import growth is traceable to some soft demand for consumer durables. Total imports of manufactured goods were only 0.4% higher in June than three months earlier. Imports of consumer goods, except cars, were 1.6% higher. Car imports were 13% lower, but car buying picked up in July and August. As consumer demand for other durable goods strengthens, import growth may quicken.

The drop in export growth may prove short-lived. Total exports of manufactured goods were 4.6% lower in June than three months earlier. With reasonably strong economic growth in some of the U.S.'s major trading partners (see the **Selected International Comparisons** chart), exports to those markets will rise. Indeed, exports of raw and semi-finished goods were 6.2% higher and capital goods, except cars, were 5.8% higher.

The decline in export growth is probably not associated with a rising dollar. The effective exchange rate of the dollar was no higher in August than it was in May. No news on the dollar, and little change in interest rates, resulted in very little change in the **Domestic-International Discomfort Index** (DIDI) from June through August. The dollar did rise a little in August, but interest rates have not. They are unlikely to change, given dampened inflation concerns and less worry about a stalling domestic economy.

Ken Goldstein
September 13, 1989

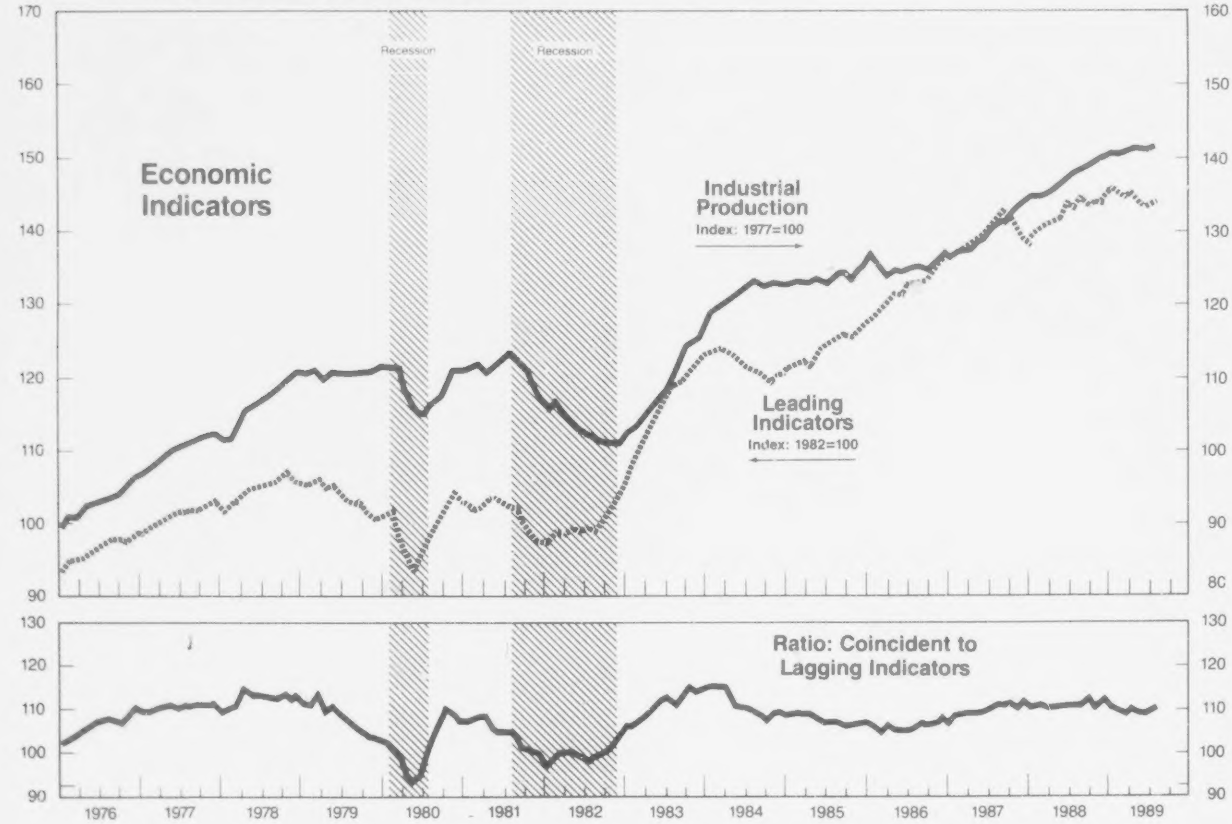


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	July		X		– 1.1%	0.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	July		X		0.3%	6.6%
New orders, nondefense capital goods (deflated)	June			X	– 3.0%	2.2%
New business formation	June			X	– 1.1%	2.3%
*Housing permits	July			X	– 3.9%	–10.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	July			X	– 6.7%	– 1.6%
*Change in unfilled orders, mfg.	July			X	–14.0%	19.5%
Purchasing manager's buying policy	Aug.			X	– 8.2%	– 8.2%
*Vendor performance, reported slower deliveries	July			X	–11.8%	–20.5%
Industrial raw materials prices	July			X	– 2.5%	5.7%
*Change in sensitive material prices	July			X	–126.8%	–133.8%
Sensitive Financial Flows						
*Money balance (M2 deflated)	July		X		0.3%	– 1.8%
Change in business loans	June	X			55.8%	119.7%
*Consumer expectations	Aug.		X		0.2%	– 9.6%
Change in consumer installment debt	June			X	–20.7%	–44.8%
Profitability						
Total corporate profits, after tax (deflated)	1st Q			X	– 2.3%	12.0%
*Common stock prices	July	X			9.8%	23.4%
Marginal Employment Adjustments						
*Average workweek, mfg.	July		X		– 0.3hr	– 0.1hr
*Initial unemployment claims (inverted)	July			X	–13.0%	– 5.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



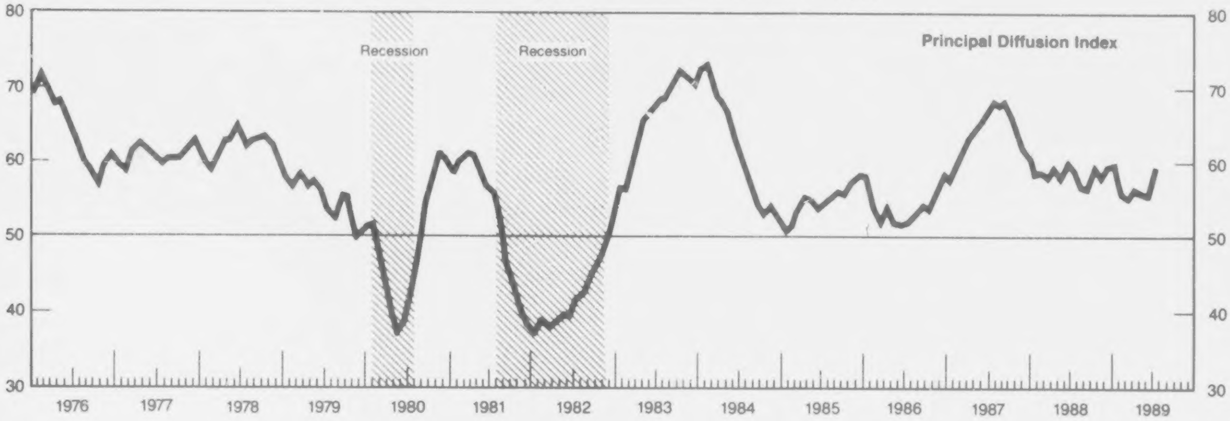
CONFERENCE BOARD DIFFUSION INDEXES

	1988	1989			
DIFFUSION INDEXES	Jul.	Apr.	May	June	Jul.(e)
Principal Diffusion Index	58.7	56.1r	55.8r	55.2r	59.4
Auxillary Diffusion Index	44.8	54.1r	49.3r	47.8r	63.9
Industrial Group	57.1	56.1r	54.0r	52.5r	55.8
Nonindustrial Group	60.3	56.0	57.7r	57.8r	63.1
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	62.8	68.8	64.1	69.7	74.4
Labor	53.2	48.1r	46.9r	40.9r	44.9
Miscellaneous	58.3	57.1	56.4	55.8	55.1
Nonindustrial Subgroups					
Prices	50.6	59.6	59.0	58.3	58.3
Consumer	61.5	57.7	63.7r	59.0r	65.4
Building	66.7	47.4	46.8	53.8	60.9
Miscellaneous	61.1	57.7	58.1r	59.0r	65.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1986		1987				1988				1989	
	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May
	Score (scale 0-100)											
Measure of Business Confidence	50	51	55	55	59	47	51	58	56	51	48	48
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	44	50	56	55	62	50	49	64	65	54	52	48
2. Expectations for Economy, Six Months Ahead	52	51	54	53	56	43	50	54	51	48	43	47
3. Expectations for Own Industry, Six Months Ahead	54	53	56	56	58	48	54	55	53	51	48	50

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Capital Markets		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Aug., 1989*		*Aug., 1989*		*Aug., 1989*		*Aug., 1989*	
			Level	***Percent Change***	*Level*	***Percent Change***	*Level*	***Percent Change***	*Level*	***Percent Change***
Gross National Product Billions of Current Dollars										
Actual	**1989**	**II**	**$5203.8**	**7.3%**	**$5203.8**	**7.3%**	**$5203.8**	**7.3%**	**$5203.8**	**7.3%**
Forecast	1989	III	5257.2	**4.2**	5282.1	**6.2**	5280.4	**6.0**	5275.3	**5.6**
		IV	5318.4	**4.7**	5358.1	**5.9**	5351.0	**5.5**	5367.8	**7.2**
	1990	I	5399.3	**6.2**	5449.3	**7.0**	5415.3	**4.9**	5428.9	**4.6**
		II	5501.4	**7.8**	5544.1	**7.1**	5479.7	**4.8**	5511.2	**6.2**
		III	5615.8	**8.6**	5642.0	**7.3**	5556.4	**5.7**	5583.9	**5.4**
		IV	5718.9	**7.5**	5738.4	**7.0**	5633.5	**5.7**	5697.6	**8.4**
	1991	I	5843.1	**9.0**			5733.0	**7.3**	5795.5	**7.1**
		II	5962.6	**8.4**			5838.9	**7.6**	5872.0	**5.4**
		III	6074.9	**7.7**			5951.2	**7.9**		
	1989	Annual	5223.1	**7.0**	5239.3	**7.3**	5237.1	**7.3**	5240.0	**7.4**
	1990	Annual	5558.9	**6.4**	5593.5	**6.8**	5521.2	**5.4**	5555.4	**6.0**
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1989**	**II**	**$4134.0**	**2.7%**	**$4134.0**	**2.7%**	**$4134.0**	**2.7%**	**$4134.0**	**2.7%**
Forecast	1989	III	4137.0	**0.3**	4152.0	**1.8**	4148.0	**1.4**	4150.5	**1.6**
		IV	4144.5	**0.7**	4167.8	**1.5**	4161.0	**1.3**	4177.3	**2.6**
	1990	I	4154.3	**0.9**	4188.6	**2.0**	4172.0	**1.1**	4182.5	**0.5**
		II	4188.3	**3.3**	4213.3	**2.4**	4183.0	**1.1**	4203.8	**2.1**
		III	4230.5	**4.1**	4239.3	**2.5**	4203.0	**1.9**	4214.3	**1.0**
		IV	4262.7	**3.1**	4264.1	**2.4**	4223.0	**1.9**	4245.6	**3.0**
	1991	I	4304.1	**3.9**			4253.0	**2.9**	4267.7	**2.1**
		II	4343.4	**3.7**			4287.0	**3.2**	4279.9	**1.1**
		III	4375.6	**3.0**			4325.0	**3.6**		
	1989	Annual	4130.6	**2.6**	4140.2	**2.9**	4137.5	**2.8**	4142.2	**2.9**
	1990	Annual	4209.0	**1.9**	4226.3	**2.1**	4195.3	**1.4**	4211.6	**1.7**
Gross National Product deflator Index, 1982 = 100										
Actual	**1989**	**II**	**125.9**	**4.5%**	**125.9**	**4.5%**	**125.9**	**4.5**	**125.9**	**4.5%**
Forecast	1989	III	127.1	**3.9**	127.2	**4.3**	127.3	**4.6%**	127.1	**3.9**
		IV	128.3	**4.0**	128.6	**4.3**	128.6	**4.1**	128.5	**4.5**
	1990	I	130.0	**5.2**	130.1	**4.9**	129.8	**3.8**	129.8	**4.1**
		II	131.4	**4.3**	131.6	**4.7**	131.0	**3.7**	131.1	**4.1**
		III	132.7	**4.3**	133.1	**4.6**	132.2	**3.7**	132.5	**4.3**
		IV	134.2	**4.3**	134.6	**4.5**	133.4	**3.7**	134.2	**5.2**
	1991	I	135.8	**4.8**			134.8	**4.3**	135.8	**4.9**
		II	137.3	**4.6**			136.2	**4.2**	137.2	**4.2**
		III	138.8	**4.6**			137.6	**4.2**		
	1989	Annual	126.4	**4.3**	126.5	**4.3**	126.6	**4.4**	126.5	**4.3**
	1990	Annual	132.1	**4.4**	132.3	**4.6**	131.6	**4.0**	131.9	**4.3**
Unemployment Rate										
Actual	**1989**	**II**		5.3%		5.3%		5.3%		5.3%
Forecast	1989	III		5.0		5.2		5.3		5.2
		IV		5.2		5.3		5.4		5.1
	1990	I		5.3		5.3		5.6		5.1
		II		5.4		5.3		5.7		5.1
		III		5.4		5.3		5.8		5.2
		IV		5.3		5.3		5.8		5.1
	1991	I		5.2				5.7		5.1
		II		5.1				5.6		5.1
		III		5.0				5.5		
	1989	Annual		5.2		5.2		5.3		5.2
	1990	Annual		5.4		5.3		5.7		5.1

Notes: Percentage changes represent compound annual rates of change from perceding period. Quarterly data are seasonally adjusted.

[1] Based on revised second quarter data.

[2] Based on preliminary second quarter data.

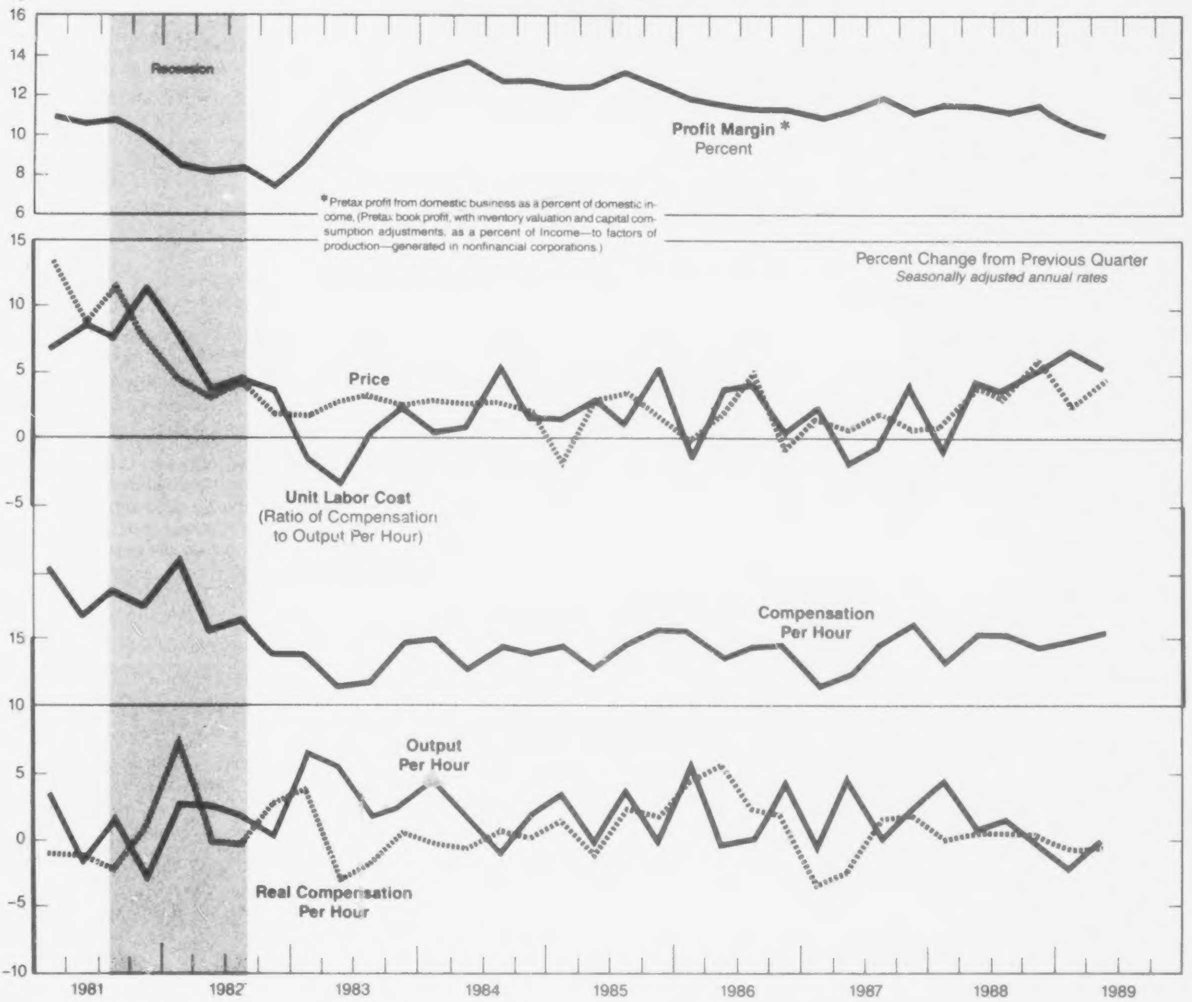
ECONOMIC FORECASTS (continued)

The Conference Board[2]		Laurence H. Meyer[1] Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Aug., 1989		*Aug., 1989*		*Aug., 1989*		*Aug., 1989*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$5203.8	**7.3%**	**$5203.8**	**7.3%**	**$5203.8**	**7.3%**	**II**	**1989**	**Actual**
$5279.0	6.6%	5271.7	5.3	5272.9	5.4	5295.3	7.2	III	1989	Forecast
5320.0	3.1	5344.1	5.6	5336.5	4.9	5378.7	6.5	IV		
5358.0	2.9	5423.2	6.1	5403.4	5.1	5463.1	6.4	I	1990	
5436.0	6.0	5498.5	5.7	5474.3	5.4	5558.3	7.2	II		
5547.0	8.4	5573.1	5.5	5546.8	5.4	5645.9	6.5	III		
5654.0	7.9	5646.4	5.4	5637.7	6.7	5738.5	6.7	IV		
		5744.5	7.1	5754.8	8.6	5843.7	7.5	I	1991	
		5837.8	6.7	5874.2	8.6	5945.6	7.2	II		
		5931.5	6.6	5988.5	8.0	6050.3	7.2	III		
5226.8	7.1	5233.2	7.2	[illegible]	7.2	5247.7	7.5	Annual	1989	
5498.8	5.2	5535.3	5.8	[illegible]	5.4	5601.5	6.7	Annual	1990	
								Gross National Product Billions of Constant (1982) Dollars		
		$4134.0	**2.7%**	**$4134.0**	**2.7%**	**$4134.0**	**2.7%**	**II**	**1989**	**Actual**
$4146.9	2.2%	4149.9	1.5	4155.3	2.1	[illegible]7.7	2.3	III	1989	Forecast
4136.9	−1.0	4166.1	1.6	4168.5	1.3	4173.7	1.5	IV		
4127.9	−0.9	4183.4	1.7	4180.7	1.2	4187.4	1.3	I	1990	
4146.5	1.8	4201.9	1.8	4194.0	1.3	4212.4	2.4	II		
4183.3	3.6	4219.4	1.7	4209.4	1.5	4237.5	2.4	III		
4216.3	3.2	4235.8	1.6	4239.7	2.9	4264.8	2.6	IV		
		4264.4	2.7	4281.8	4.0	4285.7	2.0	I	1991	
		4292.9	2.7	4325.1	4.1	4316.5	2.9	II		
		4321.2	2.7	4361.1	3.4	4343.9	2.6	III		
4128.6	2.6	4139.2	2.9	4141.2	2.9	4143.1	2.9	Annual	1989	
4168.5	1.0	4210.1	1.7	4206.0	1.6	4225.5	2.0	Annual	1990	
								Gross National Product deflator Index, 1982 = 100		
		125.9	**4.5%**	**125.9**	**4.5%**	**125.9**	**4.5%**	**II**	**1989**	**Actual**
128.0	6.6%	127.5	5.3	126.9	3.3	127.4	4.8	III	1989	Forecast
128.3	0.9	128.8	4.0	128.0	3.6	128.9	4.8	IV		
129.5	3.9	130.2	4.4	129.2	3.9	130.5	5.0	I	1990	
131.7	6.9	131.4	3.9	130.5	4.0	132.0	4.6	II		
133.8	6.5	132.6	3.7	131.8	3.9	133.2	4.0	III		
135.2	4.2	133.8	3.6	133.0	3.7	134.6	4.0	IV		
		135.6	5.5	134.4	4.4	136.4	5.5	I	1991	
		136.9	3.8	135.8	4.3	137.7	4.1	II		
		138.2	3.8	137.3	4.5	139.3	4.6	III		
126.7	4.5	126.7	4.4	126.3	4.2	126.7	4.4	Annual	1989	
132.5	4.6	132.0	4.2	131.1	3.8	132.6	4.7	Annual	1990	
								Unemployment Rate		
	5.3%		**5.3%**		**5.3%**		**5.3%**	**II**	**1989**	**Actual**
	5.3		5.2		5.2		5.2	III	1989	Forecast
	5.5		5.3		5.3		5.3	IV		
	5.8		5.4		5.4		5.5	I	1990	
	5.9		5.4		5.5		5.5	II		
	5.8		5.4		5.6		5.4	III		
	5.5		5.5		5.6		5.4	IV		
			5.5		5.6		5.4	I	1990	
			5.4		5.5		5.3	II		
			5.3		5.3		5.3	III		
	5.3		5.2		5.2		5.2	Annual	1989	
	5.8		5.4		5.5		5.5	Annual	1990	

CBDB

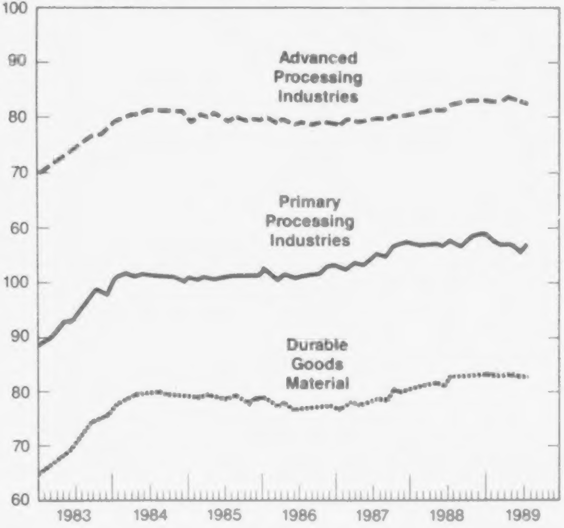
ATTENTION DATA USERS: All data in this publication are available ONLINE in our statistical database, CBDB. For more information, contact Linette Waters at (212) 759-0900.

Key Determinants of Profit Margin
Nonfinancial Corporations

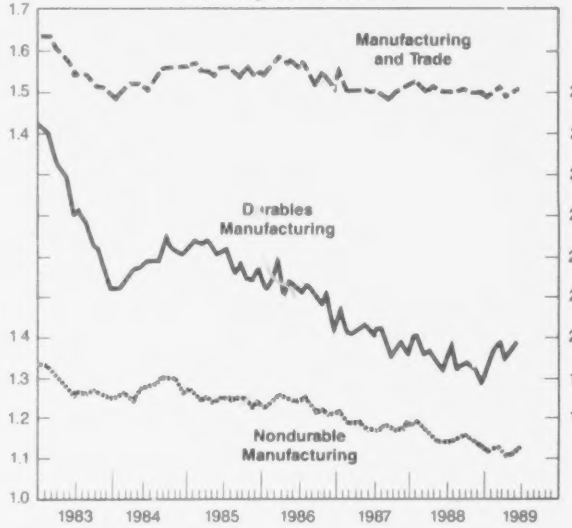


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



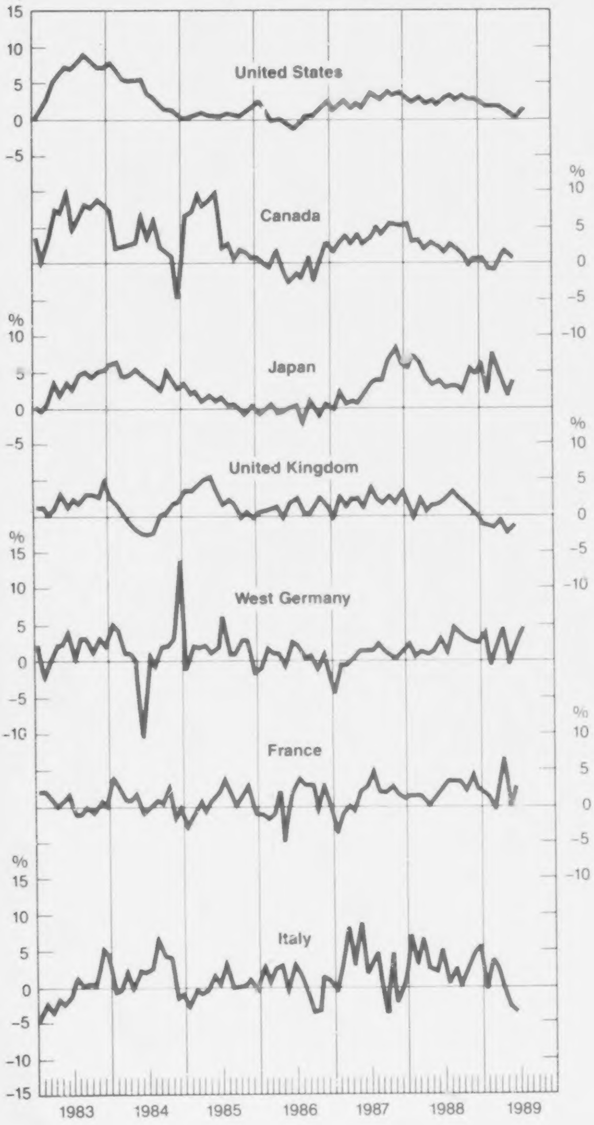
Inventory-Sales Ratios



Selected International Comparisons

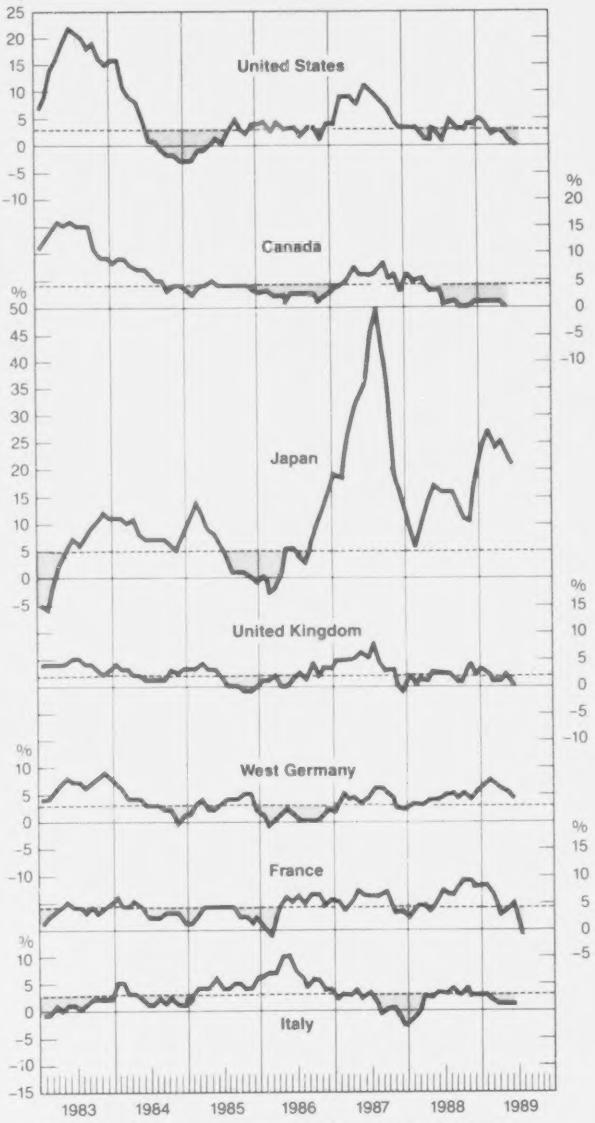
Industrial Production Indexes

Change Over Six Month Span

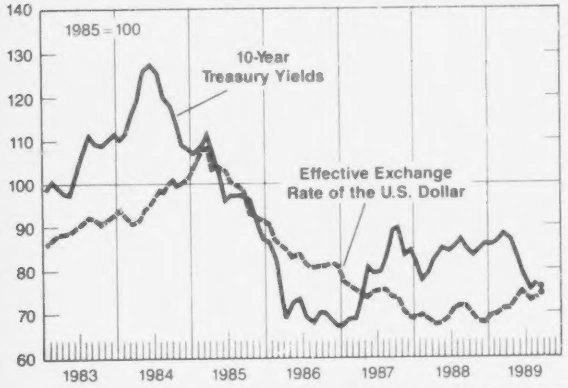


Leading Business Cycle Indexes

Change From Preceding Year

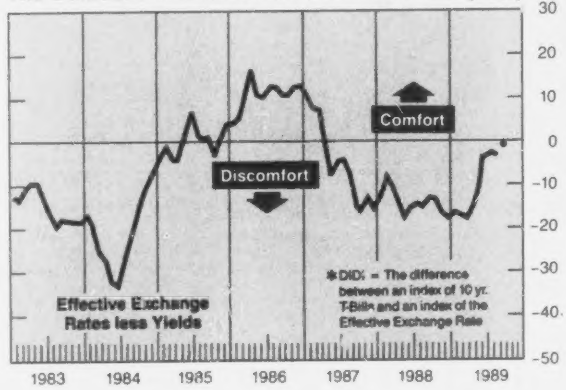


Source: Center for International Business Cycle Research, Columbia University



Sources: Morgan Guaranty Trust Company, Department of Treasury, *The Sommers Letter*

The Domestic-International Discomfort Index (DIDI)*



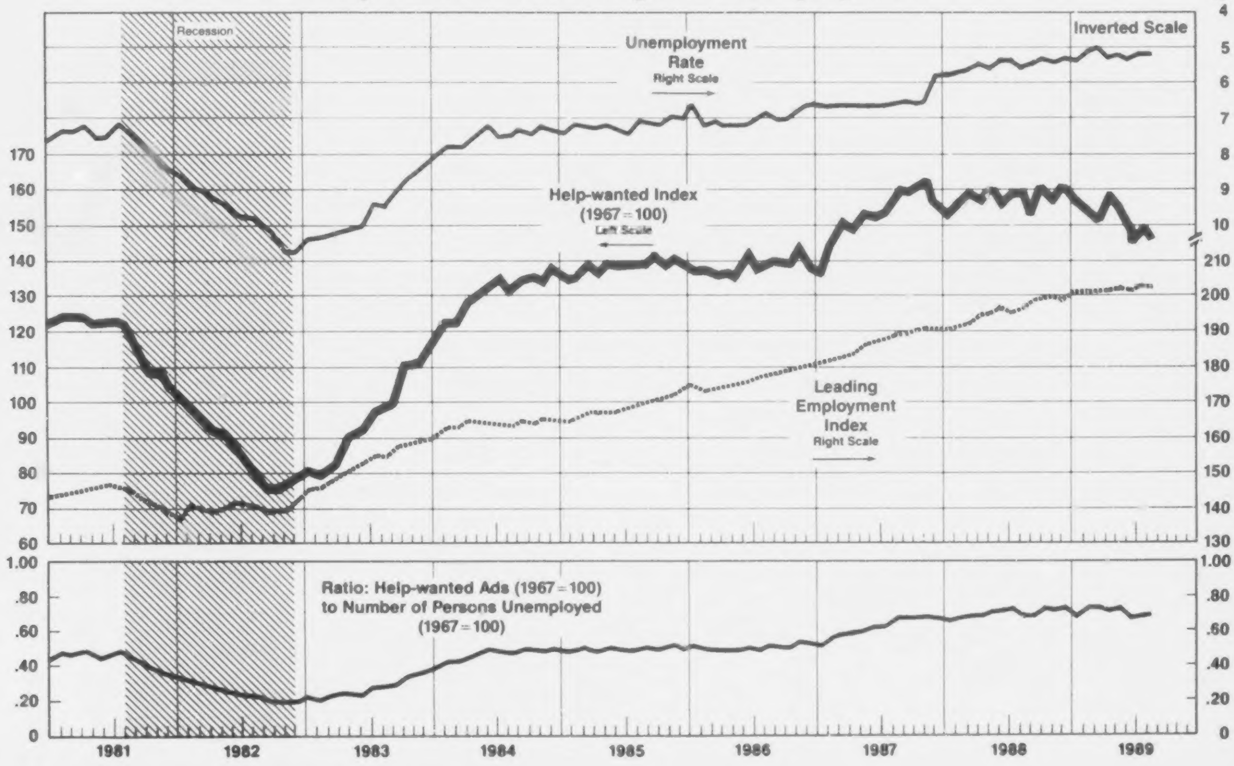
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1989 July	1989 Jun	1989 May	1988 July
National Index	149	146r	152r	160
New England	109	108	113	148
Boston	107	104	110	145
Hartford	111	108	109	152
Providence	115	119	128	154
Middle Atlantic	76	76	80	87
Albany	156	157	180	188
Allentown	339	353	393	375
New York	49	52	51	59
Philadelphia	66	63	67	74
Pittsburgh	102	96	100	106
Rochester	97	94	101	115
Syracuse	151	144r	160	158
East North Central	103	102r	103	111
Chicago	105	104	105	119
Cincinnati	159	145	160	184
Cleveland	79	75	75	81
Columbus	178	160	N.A	190
Dayton	90	85	90	93
Detroit	56	58r	55	62
Gary	226	225	226	208
Indianapolis	128	130	135	119
Milwaukee	72	97r	93	74
Toledo	131	124	136	152
West North Central	99	97	105	105
Kansas City	125	127	153	138
Minneapolis	90	86	84	98
Omaha	182	173	192	165
St. Louis	69	69	72	76
South Atlantic	182	164r	178r	223
Atlanta	230	174r	226	279
Baltimore	161	148r	150r	251
Charlotte	188	188	195	216
Jacksonville	216	217	219	232
Miami	149	148	N.A.	169
Richmond	148	152	141	155
Washington, D.C.	182	162r	164r	212
East South Central	173	178	186	189
Birmingham	179	186	201	197
Knoxville	318	314	301	332
Louisville	N.A.	99r	107r	103
Memphis	139	142	147	140
Nashville	224	226	244	253
West South Central	203	193	186	195
Dallas	146	154	147	160
Houston	323	299	279	292
New Orleans	144	130	128	140
Oklahoma City	127	118	125	126
San Antonio	148	140	150	149
Tulsa	174	170	168	162
Mountain	311	306	335	319
Denver	219	202	206	218
Phoenix	364	356r	432	399
Salt Lake City	417	439	450	400
Pacific	261	259	270	253
Los Angeles	166	166	173	170
Sacramento	515	548	532	487
San Bernardino	321	325r	351	309
San Diego	670	654	669	621
San Francisco	252	245	269	248
Seattle	294	283	288	262
Percentage of papers with rising volume	63	22r	22r	71
Unemployment rate	5.2	5.3	5.2	5.4

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available.

Help-wanted Advertising and Unemployment



Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5	119.7	110.7	116.9	112.9	119.4
1989	115.8	120.7	117.4	116.6	116.7	117.2	120.4	115.4r	115.4p			

Expectations Index

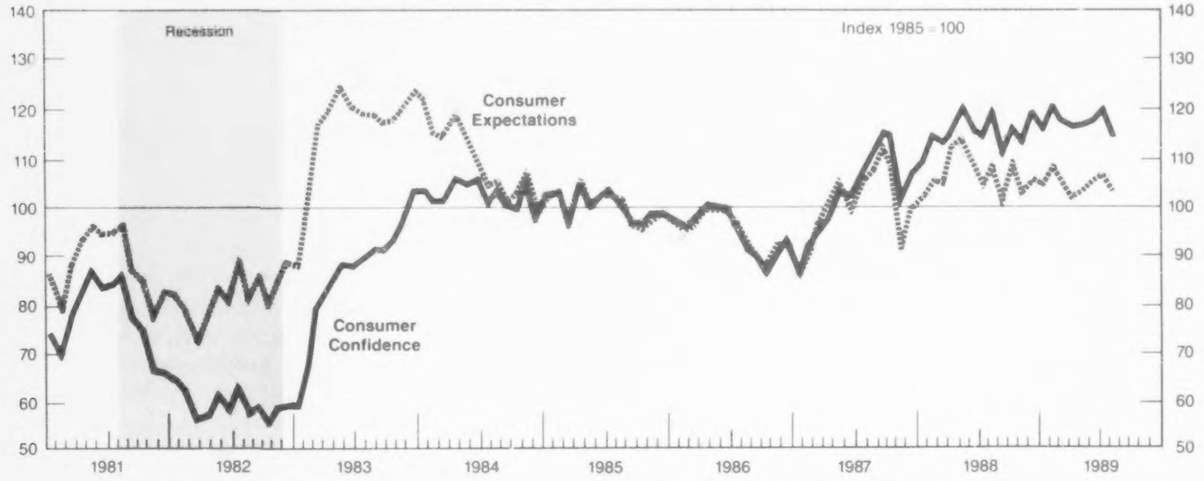
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6	103.7	109.4	100.1	109.3	102.0	105.6
1989	104.1	108.3	104.9	101.8	103.0	105.1	106.6	103.7r	105.0p			

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS

Billions of Dollars, Seasonally Adjusted

	1987			1988				Percent Change From Previous Year Actual	Percent Change From Previous Year Estimate
	III-87	IV-87	I-88	II-88	III-88	IV-88(r)	I-89(p)	1988	1989
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	29.561	35.909	30.846	40.686	40.384	45.279	50.009	39%	16%
Capital expenditures	27.381	29.820	29.412	31.718	36.037	35.281	35.331	33	18
Change in appropriations backlog*	-0.080	3.510	0.650	8.760	-4.110	8.630	14.340		
Durable Goods									
New appropriations	17.208	20.245	14.310	20.261	20.791	23.547	18.129	27	14
Capital expenditures	13.970	16.037	15.780	16.910	19.526	16.657	17.032	31	28
Change in appropriations backlog*	2.930	3.810	-1.600	3.670	-1.080	6.240	1.340		
Nondurable Goods									
New appropriations	12.353	15.664	16.536	20.425	19.593	21.732	31.880	52	17
Capital expenditures	13.411	13.783	13.632	14.808	16.511	18.624	18.299	35	12
Change in appropriations backlog*	-3.010	-0.300	2.250	5.090	-3.030	2.390	13.010		

Available on request: Historical data from 1953, and quarterly reports containing text and data for 17 separate manufacturing industries.

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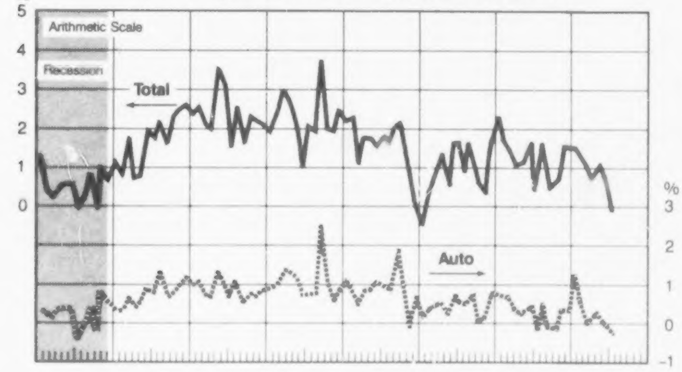
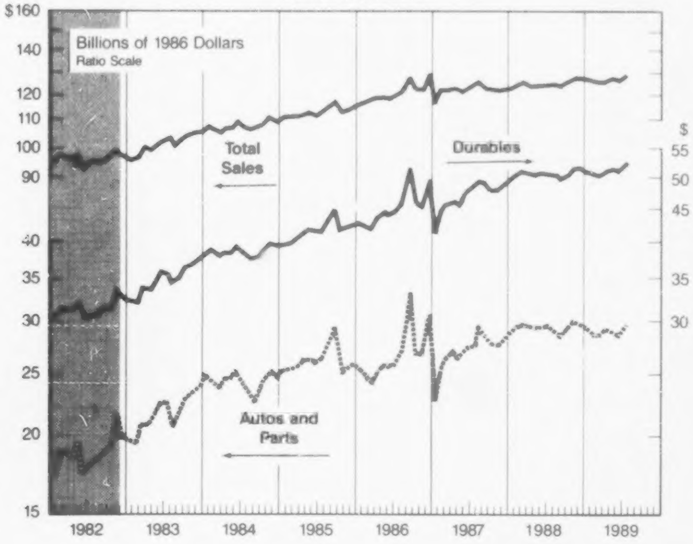
* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1986	1987	1988	1989
January:	1-10	8.37	5.15	6.06	5.86
	11-20	8.74	5.52	7.29	6.06
	21-31	8.26	6.13	8.25	8.64
February:	1-10	7.88	7.78	7.83	6.40
	11-20	8.95	6.64	7.44	7.37
	21-28(29)	6.15	6.58	8.17	6.86
March:	1-10	7.69	7.53	7.81	6.32
	11-20	7.57	7.27	7.13	7.28
	21-31	6.52	7.81	8.28	6.74
April:	1-10	8.79	7.48	6.33	8.18
	11-20	7.06	7.34	7.43	7.66
	21-30	7.75	7.76	7.23	7.03
May:	1-10	8.62	6.16	8.36	7.49
	11-20	8.86	6.66	6.53	6.72
	21-31	7.33	7.19	8.12	7.99
June:	1-10	8.48	7.21	6.88	6.93
	11-20	8.04	7.13	8.00	7.09
	21-30	8.39	7.09	8.48	6.74
July:	1-10	8.10	7.10	7.02	7.56
	11-20	7.28	7.68	7.99	8.03
	21-31	7.97	7.29	7.69	7.10
August:	1-10	7.63	8.55	7.95	8.46
	11-20	7.34	8.60	7.01	7.33
	21-31	8.08	6.26	5.92	7.15
September:	1-10	14.00	6.74	5.93	5.71
	11-20	8.83	5.45	5.80	
	21-30	8.62	8.03	7.40	
October:	1-10	10.04	6.13	8.43	
	11-20	7.67	7.10	8.08	
	21-31	7.27	7.24	7.78	
November:	1-10	7.96	7.15	8.55	
	11-20	7.59	6.68	6.97	
	21-30	7.89	8.09	8.46	
December:	1-10	7.75	7.60	6.84	
	11-20	8.77	7.22	8.31	
	21-31	10.68	7.31	9.54	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales